

COMMISSIONERS
BOB STUMP – Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH



0000148575

ARIZONA CORPORATION COMMISSION

ORIGINAL

DATE: SEPTEMBER 27, 2013
DOCKET NO.: RG-00000A-13-0049

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Sarah N. Harpring. The recommendation has been filed in the form of an Opinion and Order on:

PIPELINE SAFETY
(RULEMAKING)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

OCTOBER 7, 2013

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

OCTOBER 16, 2013 and OCTOBER 17, 2013

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.


JODI JERICH
EXECUTIVE DIRECTOR

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This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail SABernal@azcc.gov.

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 BOB STUMP - Chairman
4 GARY PIERCE
5 BRENDA BURNS
6 BOB BURNS
7 SUSAN BITTER SMITH

8 IN THE MATTER OF THE PROPOSED
9 AMENDMENTS TO THE PIPELINE SAFETY
10 RULES A.A.C. R14-5-201, R14-5-202, R14-5-203,
11 R14-5-204, AND R14-5-205 AND THE ADDITION
12 OF NEW RULES R14-5-206 AND R14-5-207.

DOCKET NO. RG-00000A-13-0049

DECISION NO. _____

OPINION AND ORDER

10 DATE OF HEARING: August 9, 2013

11 PLACES OF HEARING: Phoenix, Arizona

12 ADMINISTRATIVE LAW JUDGE: Sarah N. Harpring

13 APPEARANCES: Mr. Charles Hains, Staff Attorney, Legal Division, on
14 behalf of the Utilities Division of the Arizona
Corporation Commission.

15 **BY THE COMMISSION:**

16 This matter concerns a rulemaking to modify Arizona Administrative Code ("A.A.C.") Title
17 14, Chapter 5, Article 2, the Arizona Corporation Commission ("Commission") rules for Pipeline
18 Safety, by amending A.A.C. R14-5-201 through R14-5-204, renumbering the existing R14-5-205 and
19 amending it at its new location at R14-5-207, separating an existing requirement into a new R14-5-
20 205, and adopting a new rule at R14-5-206. The primary purpose of this rulemaking is to bring the
21 Commission's Pipeline Safety rules into compliance with federal requirements by updating the rules'
22 incorporations by reference of various parts of Title 49 of the Code of Federal Regulations ("49
23 CFR"). The other modifications to the rules are designed to make the rules more clear, concise, and
24 understandable and to enhance several safety requirements.

25 * * * * *

26 Having considered the entire record herein and being fully advised in the premises, the
27 Commission finds, concludes, and orders that:

28 ...

FINDINGS OF FACT**Process for this Rulemaking**

1. On March 4, 2013, the Commission's Legal Division filed a memorandum requesting, on behalf of the Commission's Safety Division ("Staff"), that a docket be opened to receive documents related to a proposed rulemaking for the Pipeline Safety rules, A.A.C. Title 14, Chapter 5, Article 2. As a result, the above-captioned docket was opened.

2. On May 29, 2013, Staff issued a memorandum describing in detail Staff's recommended modifications to the Pipeline Safety rules and including a proposed order for Commission consideration at the Open Meeting of June 11 and 12, 2013. In the proposed order, Staff recommended that the Commission commence the formal rulemaking process by filing a Notice of Rulemaking Docket Opening and Notice of Proposed Rulemaking with the Office of the Secretary of State for publication in the *Arizona Administrative Register*, provided the text of Staff's recommended rule modifications, and provided Staff's recommended schedule for the rulemaking proceedings.

3. On May 30, 2013, Staff filed a Notice of Filing Service List, including a list of stakeholders to whom the memorandum and proposed order were being mailed.

4. On June 5, 2013, Staff filed a Notice of Filing Staff Amendment, with which Staff included Safety Division Proposed Amendment No. 1 ("Staff Amendment No. 1"). Staff Amendment No. 1 was created to correct typographical errors in Staff's proposed order, to correct typographical errors in the text of Staff's recommended rule modifications, and to provide an attachment that had inadvertently been omitted from the proposed order.

5. At the Commission's Open Meeting on June 11, 2013, the Commission discussed and approved the proposed order, as amended by Staff Amendment No. 1.

6. On June 14, 2013, Decision No. 73911 was issued, directing Staff to prepare and file with the Office of the Secretary of State, for publication in the *Arizona Administrative Register* no later than July 5, 2013, a Notice of Rulemaking Docket Opening ("NRDO") and a Notice of Proposed Rulemaking ("NPRM") including the text of Staff's recommended rule modifications as included in the Decision. The Decision also ordered the Hearing Division to hold an oral proceeding

1 on the NPRM on August 9, 2013, in Phoenix; established dates for the submission of comments; and
2 established other procedural deadlines and requirements.

3 7. On July 5, 2013, the NRDO and NPRM were published in the *Arizona Administrative*
4 *Register*. The NPRM is attached hereto and incorporated herein as Exhibit A.

5 8. On July 5, 2013, Staff filed an Economic, Small Business, and Consumer Impact
6 Statement ("EIS"),¹ along with a copy of the published NPRM.

7 9. On July 10 and 12, 2013, requests to be included on the service list for this matter
8 were filed by UNS Gas, Inc. and Copper Market Gas, Inc.

9 10. On August 9, 2013, the oral proceeding for this matter was held before a duly
10 authorized Administrative Law Judge of the Commission at the Commission's offices in Phoenix,
11 Arizona. Staff appeared through counsel, and Robert Miller, Pipeline Safety Supervisor, also spoke
12 on behalf of Staff. Copper Market Gas, Incorporated ("CMG") and Southwest Gas Corporation
13 ("SWG") also attended, with CMG providing very brief comment and SWG indicating that it had
14 filed its comments in writing. SWG's written comments were filed the same day.

15 11. On September 3, 2013, Staff filed a Staff Report providing a summary of the written
16 and oral comments received on the NPRM, along with Staff's responses to those comments. The
17 Staff Report is attached hereto and incorporated herein as Exhibit B. Staff included with the Staff
18 Report an updated EIS.

19 **Description of the Rule Changes**

20 12. Along with updating incorporations by reference to conform to current federal
21 requirements, the rulemaking will make a number of organizational and language changes and add a
22 number of definitions to make the rules more clear, concise, and understandable. Additionally, the
23 rulemaking will make the following significant changes to the rules:

24 a. R14-5-202(R) will require the operator of a transmission pipeline transporting
25 gas to conduct leakage surveys at least twice per year, not more than 7 1/2 months apart, regardless of
26 class location, whereas the federal regulations generally require one leakage survey per calendar year,

27 _____
28 ¹ As filed, the EIS included a copy of a blank template. On July 8, 2013, Staff filed a Notice of Errata requesting that
the blank template be disregarded.

1 no more than 15 months apart.

2 b. R14-5-202(R) will also require repair of each grade 2 or 3 underground leak to
3 be completed within one year after discovery, while the federal regulations generally require
4 permanent repairs to be made when feasible.

5 c. R14-5-202(S) will require nondestructive testing of each weld on a pipeline or
6 appurtenance operating at or above 20 percent of specified minimum yield strength, as opposed to the
7 federal regulation that allows for some welds to be visually inspected instead.

8 d. R14-5-203 will broaden some of the reporting criteria for incidents, such as by
9 requiring reporting when a failure in a pipeline transporting hazardous liquid results in injury with
10 loss of consciousness, an inability to leave the scene unassisted, or a need for medical treatment, as
11 opposed to only requiring reporting when such an incident results in death or an injury requiring
12 hospitalization.

13 e. R14-5-204 will update the forms to be used for reporting, consistent with
14 federal requirements.

15 f. R14-5-205 will be a new section including requirements regarding
16 Commission investigations that are being carved out of R14-5-203.

17 g. R14-5-206 will be a new section requiring drug and alcohol testing of pipeline
18 facility and LNG facility workers to be performed in compliance with 49 CFR Part 199, as
19 incorporated by reference in R14-5-202. Although 49 CFR Part 199 has been incorporated by
20 reference in R14-5-202 for some time, the addition of R14-5-206 clarifies why 49 CFR Part 199 is
21 incorporated by reference.

22 h. R14-5-207 will revise the master meter system rule, as renumbered from R14-
23 5-205, to clarify the rule's requirements; to set forth requirements for cathodic protection of new,
24 repaired, replaced, or relocated lines; to clarify leakage survey requirements and impose deadlines for
25 leak repairs based on grade; and to clarify reporting requirements.

26 **Rationale for the Rulemaking**

27 13. Under Title 49, § 60105 of the U.S. Code ("49 U.S.C. § 60105"), the Commission
28 holds certification from the U.S. Department of Transportation's Pipeline and Hazardous Materials

1 Safety Administration ("PHMSA") authorizing the Commission to prescribe and enforce safety
2 standards and practices for intrastate pipeline facilities and intrastate pipeline transportation.² (*See* 49
3 U.S.C. § 60105(a).) To maintain certification, Staff must annually submit to PHMSA a certification
4 stating, *inter alia*, that the Commission (1) has regulatory jurisdiction over the standards and
5 practices to which the certification applies; (2) has adopted, by the date of certification, each
6 applicable standard prescribed under 49 U.S.C. Chapter 601 or, if the standard was prescribed no
7 later than 120 days before certification, is taking steps to adopt the standard; and (3) is enforcing each
8 adopted standard through means including inspections by qualified Commission employees. (49
9 U.S.C. § 60105(b).) The certification filing must also identify the persons subject to the
10 Commission's safety jurisdiction, describe specific types of reported accidents or incidents during the
11 past 12 months, provide an investigation summary for each accident or incident, and describe the
12 Commission's regulatory and enforcement practices. (49 U.S.C. § 60105(c).) The PHMSA may
13 reject certification for a state authority if it determines that the state authority is not satisfactorily
14 enforcing compliance with the applicable federal safety standards of 49 U.S.C. Chapter 601. (49
15 U.S.C. § 60105(f).) A state authority that carries out a safety program pursuant to certification under
16 49 U.S.C. § 60105 is eligible to obtain grant funding from PHMSA of up to 80 percent of the state
17 authority's costs for the personnel, equipment, and activities reasonably required to carry out the
18 program for the next calendar year. (49 U.S.C. § 60107(a).) One of the performance factors
19 considered by PHMSA when determining the allocation of grant funds to a state authority is whether
20 the state has adopted the applicable federal pipeline safety standards. (49 CFR § 198.13(c)(7).)
21 PHMSA can withhold payment if it determines that a state authority is not satisfactorily carrying out
22 its safety program. (49 U.S.C. § 60107(b).)

23 14. The primary purpose of this rulemaking is to update the incorporations by reference of
24 specific parts of 49 CFR, to make Arizona's rules consistent with federal pipeline safety
25 requirements, so as to maintain the Commission's certification and grant funding from PHMSA. Mr.
26
27

28 ² The Commission has also been authorized to act as an interstate agent under 49 CFR Chapter 601.

1 Miller stated at the Oral Proceeding for this rulemaking that the rulemaking must be effective by
2 December 31, 2013, to comply with PHMSA's deadline.

3 15. Staff stated that the rulemaking will result in enhanced public safety, which is in the
4 best interests of all people in Arizona.

5 **Authority for this Rulemaking**

6 16. The Commission is authorized to engage in rulemaking under both its constitutional
7 authority and its statutory authority endowed by the legislature. In the NPRM, Staff cited as
8 authority for this rulemaking both Article 15, § 3 of the Arizona Constitution ("Art. 15, § 3") and
9 Arizona Revised Statutes ("A.R.S.") § 40-441.

10 17. Article 15, § 3 provides, in pertinent part:

11 The Corporation Commission shall have full power to, and shall, prescribe
12 just and reasonable classifications to be used and just and reasonable rates
13 and charges to be made and collected, by public service corporations
14 within the State for service rendered therein, and make reasonable rules,
15 regulations, and orders, by which such corporations shall be governed in
the transaction of business within the State, and may . . . make and enforce
reasonable rules, regulations, and orders for the convenience, comfort, and
safety, and the preservation of the health, of the employees and patrons of
such corporations . . .³

16 18. The Commission also has specific statutory authority to adopt rules establishing safety
17 standards and practices for pipeline systems and the transportation of gas and hazardous liquids
18 within Arizona. A.R.S. § 40-441 provides:

19 For the purpose of providing state control over safety standards and
20 practices applicable to the transportation of gas and hazardous liquids and
21 gas and hazardous liquids pipeline facilities within the state to the full
22 extent permissible under federal law that is applicable to natural gas and
23 hazardous liquid gas pipelines, the commission shall adopt by regulation,
24 rule or order appropriate safety standards for all such transportation of gas
25 and hazardous liquids and gas and hazardous liquids pipeline facilities,
26 including both privately owned and public, which are not subject to
27 exclusive federal control. Upon the adoption of such regulations, rules or
28 orders, the commission shall make certifications and reports and take any
other necessary action in accordance with intrastate certifications and
interstate agent agreements under federal pipeline safety laws (49 United
States Code, subtitle VIII, chapter 601).

All terms used in this article that are defined in the federal pipeline safety
laws (49 United States Code, subtitle VIII, chapter 601) shall have the

³ Ariz. Const., Art. 15, § 3 (emphasis added). The Commission is aware of *Arizona Corp. Comm'n v. Pacific Greyhound Lines*, 54 Ariz. 159 (1939) ("*Pacific Greyhound*") and its progeny.

definitions set forth in that act.⁴

19. Although not cited by Staff in the NPRM, the following statutes also provide the Commission with authority for portions of the pipeline safety rules:

a. A.R.S. § 40-202(A) provides: "The commission may supervise and regulate every public service corporation in the state and do all things, whether specifically designated in this title or in addition thereto, necessary and convenient in the exercise of that power and jurisdiction." This language, although very broad, has been interpreted by the Arizona Supreme Court as bestowing no powers on the Commission in addition to those already granted by the Arizona Constitution or specifically granted elsewhere by the legislature, although the Court acknowledged that it also provides the Commission the authority to do those things necessary and convenient in the exercise of the powers so granted.⁵

b. A.R.S. § 40-203 states:

When the commission finds that the rates, fares, tolls, rentals, charges or classifications, or any of them, demanded or collected by any public service corporation for any service, product or commodity, or in connection therewith, or that the rules, regulations, practices or contracts, are unjust, discriminatory or preferential, illegal or insufficient, the commission shall determine and prescribe them by order, as provided in this title.⁶

c. A.R.S. § 40-321(A) states:

When the commission finds that the equipment, appliances, facilities or service of any public service corporation, or the methods of manufacture, distribution, transmission, storage or supply employed by it, are unjust, unreasonable, unsafe, improper, inadequate or insufficient, the commission shall determine what is just, reasonable, safe, proper, adequate or sufficient, and shall enforce its determination by order or regulation.

d. A.R.S. § 40-322 states, in pertinent part:

A. The commission may:

1. Ascertain and set just and reasonable standards, classifications, regulations, practices, measurements or service to be furnished and followed by public service corporations other

⁴ A.R.S. § 40-441 (emphasis added).

⁵ *Southern Pacific Co. v. Arizona Corp. Comm'n*, 98 Ariz. 339, 348 (1965).

⁶ A.R.S. 40-203 (emphasis added).

than a railroad.

2. Ascertain and fix adequate and serviceable standards for the measurement of quantity, quality, pressure, initial voltage or other condition pertaining to the supply of the product, commodity or service furnished by such public service corporation.

3. Prescribe reasonable regulations for the examination and testing of the product, commodity or service and for the measurement thereof.

....

B. The commission, its officers and employees may enter upon any premises occupied by a public service corporation, for the purpose of making the examinations and tests and exercising any of the other powers provided for in this article

e. A.R.S. § 40-336 states:

The commission may by order, rule or regulation, require every public service corporation to maintain and operate its line, plant, system, equipment, and premises in a manner which will promote and safeguard the health and safety of its employees, passengers, customers and the public, and may prescribe the installation, use, maintenance and operation of appropriate safety or other devices or appliances, including interlocking and other protective devices at grade crossings or junctions and block or other systems of signalling, establish uniform or other standards of equipment, and require the performance of any other act which health or safety requires.

20. The Commission also has both constitutional and statutory authority specifically with regard to requiring public service corporations to provide information to the Commission. Article 15, § 13 of the Arizona Constitution provides: "All public service corporations . . . shall make such reports to the Corporation Commission, under oath, and provide such information concerning their acts and operations as may be required by law, or by the Corporation Commission." In addition, A.R.S. § 40-204(A) states:

Every public service corporation shall furnish to the commission, in the form and detail the commission prescribes, tabulations, computations, annual reports, monthly or periodical reports of earnings and expenses, and all other information required by it to carry into effect the provisions of this title and shall make specific answers to all questions submitted by the commission. If a corporation is unable to answer any question, it shall give a good and sufficient reason therefor.

These provisions grant the Commission authority to require a public service corporation to provide reports concerning both past business activities and future plans.⁷

⁷ *Arizona Pub. Serv. Co. v. Arizona Corp. Comm'n*, 155 Ariz. 263 (App. 1987), approved in part, vacated in part, 157 Ariz. 532 (1988).

21. Under A.R.S. §§ 40-442 and 40-443, the Commission also has specific statutory authority to enforce the pipeline safety statutes and the Commission's rules and orders adopted under those statutes.

22. The Commission finds that the revisions to A.A.C. Title 14, Chapter 5, Article 2 proposed in the NPRM are authorized under the Commission's constitutional authority and statutory authority.

Rulemaking Requirements

23. A.R.S. § 41-1057 exempts the Commission from having its rules reviewed by the Governor's Regulatory Review Counsel ("GRRC"), but requires the Commission to adopt substantially similar rule review procedures, to include preparation of an economic impact statement and a statement of the effect of the rule on small business.

24. A.R.S. § 41-1044 requires the Attorney General to review rules that are exempt under A.R.S. § 41-1057 and further requires that such rules not be submitted to the Office of the Secretary of State unless first approved by the Attorney General.⁸

25. Since fiscal year 2009-2010, Arizona has had in place a general rulemaking moratorium, first through creation of the Legislature⁹ and then through gubernatorial orders. The most recent gubernatorial order is Executive Order 2012-03 ("EO 2012-03"), effective on June 26, 2012, and expiring on December 31, 2014. EO 2012-03 generally prohibits a state agency from conducting rulemaking except for specific purposes and with prior written approval from the Office of the Governor. However, EO 2012-03 expressly exempts the Commission from its applicability, although it encourages all exempted state officials and agencies to participate voluntarily within the context of their own rulemaking processes.

26. While EO 2012-03 does not apply to the Commission, this rulemaking falls within the permissible rulemaking purposes under Executive Order 2012-03 because it is being completed to

⁸ Although Commission rules generally are subject to review and certification by the Attorney General under A.R.S. § 41-1044 before they become effective, Commission rules promulgated pursuant to the Commission's exclusive and plenary constitutional ratemaking authority need not be submitted to the Attorney General for certification. (*State ex rel. Corbin v. Arizona Corp. Comm'n*, 174 Ariz. 216, 848 P.2d 301 (Ariz. Ct. App. 1992); *Phelps Dodge Corp. v. Arizona Elec. Power Coop.*, 207 Ariz. 95, 83 P.3d 573 (Ariz. Ct. App. 2004).)

⁹ See Laws 2010, Ch. 287, § 18 (amending Laws 2009 (3rd Special Session) Ch. 7, § 28).

1 comply with a federal requirement that contains a date certain for compliance on or before December
2 31, 2014, and as necessary to prevent a significant threat to the public health and safety.

3 27. Because the Commission is not conducting this rulemaking pursuant to its plenary and
4 exclusive ratemaking authority under Art. 15, § 3, the Commission is required to obtain Attorney
5 General certification of this rulemaking under A.R.S. § 41-1044.

6 28. A.R.S. § 41-1032(A) provides that a final rule filed with the Office of the Secretary of
7 State under A.R.S. § 41-1031 becomes effective 60 days after filing unless the rulemaking agency
8 includes in the preamble information demonstrating that the rule needs to be effective immediately
9 upon filing, for one of five reasons, among them: (1) to preserve the public peace, health, or safety;
10 or (2) to avoid a violation of federal law or regulation or state law, if the need for an immediate
11 effective date is not created due to the agency's delay or inaction.

12 29. According to Staff, this rulemaking needs to take effect by December 31, 2013,
13 because the Commission is required to update its pipeline safety rules to adopt the current version of
14 the federal regulations for pipeline safety by that time. In addition, because the Commission's
15 pipeline safety rules establish standards to ensure the safety of intrastate pipeline systems, the rules
16 must become effective as soon as possible to preserve the public health and safety. We find that this
17 rulemaking is eligible for an immediate effective date under A.R.S. § 41-1032(A)(1) and (2) so as to
18 preserve the public health and safety and avoid a violation of the federal requirement for the
19 Commission's pipeline safety certification and grant funding, and we will require the Preamble for
20 the Notice of Final Rulemaking to include language demonstrating the need for an immediate
21 effective date.

22 **Public Comments & Responses**

23 30. Exhibit B, attached hereto, contains Staff's summary of the comments received and
24 Staff's responses to those comments. The Commission has thoroughly reviewed and considered
25 Staff's responses and recommendations in formulating the Commission's own summary and
26 responses, which are set forth in Exhibit D. Although the Commission is adopting modifications to
27 the text of the proposed rules that are different than those recommended by Staff, the Commission
28 believes that the modifications being adopted are consistent with Staff's understanding of and intent

1 as to the meaning of the rules as proposed.¹⁰

2 31. Exhibit D, attached hereto and incorporated herein, contains the Commission's
3 summary of the comments received and the Commission's responses to those comments. The
4 Commission's summary and responses, set forth in Exhibit D, address and resolve the issues raised in
5 the comments received; are reasonable and appropriate; are adopted; and should be included in the
6 Preamble for a Notice of Final Rulemaking in this matter.

7 32. We find that the following revisions should be made to the text of the rules when the
8 rules are submitted to the Office of the Attorney General as a Notice of Final Rulemaking:

- 9 a. In the Table of Contents for Article 2, the title for R14-5-203 should appear as
10 follows: "Pipeline Incident Reports ~~and Investigations~~";
- 11 b. In R14-5-201(5)(d), the words "known or discovered to be" should be inserted
12 after "A nonresidential building";
- 13 c. In R14-5-201(8), the definition of "Independent laboratory" should be revised
14 to read as follows: "'Independent laboratory' means a laboratory that is not
15 owned or operated by the operator and that has no affiliation with the operator
16 through ownership, familial relationship, or contractual or other relationship
17 that results in the laboratory being controlled by or under common control with
18 the operator.";
- 19 d. In R14-5-201(19), the words "known or discovered to be" should be inserted
20 after "To a nonresidential building";
- 21 e. In R14-5-201(27), the definition of "Sour gas" should be revised to read as
22 follows: "'Sour gas' means natural gas that contains the corrosive sulfur-
23 bearing compound hydrogen sulfide (H₂S) in a concentration that exceeds a
24 minimum threshold of 0.25 grain of hydrogen sulfide per 100 cubic feet (5.8
25 milligrams/m³) under standard operating conditions (4 parts per million).";
- 26 f. In R14-5-201(32), the definition of "Unknown failure" should be revised by

27
28 ¹⁰ The Commission believes that there is a typographical error in Staff's proposed revision of R14-5-201(27) and has interpreted Staff's recommendation consistent with that belief.

- 1 deleting the word "external";
- 2 g. In R14-5-202(S), the following sentence should be inserted after the first
- 3 sentence: "The nondestructive testing shall be completed before the newly
- 4 welded area of the pipeline or appurtenance is used for service.";
- 5 h. At R14-5-203, the section title should appear as follows: "Pipeline Incident
- 6 Reports ~~and Investigations~~";
- 7 i. In R14-5-203(B)(1), the following language should be added before the colon:
- 8 "related to the operator's intrastate pipeline system";
- 9 j. In R14-5-203(C)(3), in the sixth line, "resulting" should be deleted;
- 10 k. In R14-5-205(A), before the period at the end of the sentence, the following
- 11 language should be added: "and may investigate other incidents, accidents, or
- 12 events";
- 13 l. In R14-5-207(Q)(1), the following language should be added before the colon:
- 14 "related to the operator's master meter system"; and
- 15 m. In Exhibit A to the rules, the following changes should be made so that the
- 16 report form is usable for any year:
- 17 i. The second line, appearing just above the border of the table, should be
- 18 replaced with the following: "TO BE FILED FOR EACH
- 19 CALENDAR YEAR, DUE BETWEEN JANUARY 1 AND APRIL 15
- 20 OF THE FOLLOWING CALENDAR YEAR";
- 21 ii. In the cell of the table headed "FOR UNDERGROUND STEEL
- 22 SYSTEMS," "2012" should be replaced with "CAL. YR." the first time
- 23 it appears and with "cal. yr." the second time it appears; and
- 24 iii. In the cell of the table headed "DATE OF LEAK SURVEY
- 25 CONDUCTED," "2012" should be replaced with "CAL. YR." the first
- 26 time it appears and with "cal. yr." the second time it appears.

27 33. The revisions described above respond appropriately to the comments received on the

28 NPRM; will result in rules that are more clear, concise, and understandable than the rules as

published in the NPRM; and will not result in any rule's becoming substantially different, under A.R.S. § 41-1025, from the rule as published in the NPRM.

Probable Economic Impacts

34. The rulemaking primarily adopts the standards required by the current federal regulations for pipeline safety, and these provisions thus will not cause an economic impact for operators currently complying with the federal requirements. The enhanced consistency and enhanced clarity of the rules as adopted herein is expected to benefit operators, the Commission, and the general public, although this benefit would be difficult to quantify. The following requirements in the rules may result in an economic impact to operators, but should enhance the reliability and safety of pipelines in Arizona, thereby significantly benefiting operators, the general public, and the Commission:

a. R14-5-202(R), which will require the operator of a transmission pipeline transporting gas to conduct leakage surveys at least twice per year, not more than 7 1/2 months apart, regardless of class location;

b. R14-5-202(R), which will require repair of each grade 2 or 3 underground leak to be completed within one year after discovery;

c. R14-5-202(S), which will require nondestructive testing of each weld on a pipeline or appurtenance operating at or above 20 percent of specified minimum yield strength, before the weld is used for service;

d. R14-5-203, which will broaden some of the reporting criteria for incidents, such as by requiring reporting when a failure in a pipeline transporting hazardous liquid results in injury with loss of consciousness, an inability to leave the scene unassisted, or a need for medical treatment; and

e. R14-5-207, which will revise the master meter system rule, as renumbered from R14-5-205, to clarify the rule's requirements; to set forth requirements for cathodic protection of new, repaired, replaced, or relocated lines; to clarify leakage survey requirements and impose deadlines for leak repairs based on grade; and to clarify reporting requirements.

35. We find that the information included in the EIS, attached hereto as Exhibit C,¹¹ substantially conforms to the requirements of A.R.S. §§ 41-1057 and 41-1055¹² and should be adopted.

Resolution

36. The proposed revisions to A.A.C. Title 14, Chapter 5, Article 2, as set forth in the NPRM attached hereto as Exhibit A, and modified as set forth in Findings of Fact No. 32, are just and reasonable and in the public interest and will be adopted by the Commission.

37. The proposed revisions to A.A.C. Title 14, Chapter 5, Article 2, as set forth in the NPRM attached hereto as Exhibit A, and modified as set forth in Findings of Fact No. 32, should be submitted to the Office of the Attorney General in the form of a Notice of Final Rulemaking package conforming to the requirements of A.R.S. § 41-1001(15)(d) and the Rules of the Office of the Secretary of State.¹³ The Final Rulemaking package should include, as a separate Economic Impact Statement, the EIS attached hereto as Exhibit C. Additionally, the Preamble for the Notice of Final Rulemaking should include language demonstrating the need for an immediate effective date for this rulemaking, as provided under A.R.S. § 41-1032(A)(1) and (2), so as to preserve the public health and safety and to avoid a violation of the PHMSA deadline for the Commission to adopt regulations conforming to the current federal regulations for pipeline safety.

CONCLUSIONS OF LAW

1. Pursuant to Arizona Constitution, Art. 15, §§ 3 and 13 and A.R.S. §§ 40-202 through -204, 40-321 and -322, 40-336, and 40-441 through -443, the Commission has authority and jurisdiction to revise A.A.C. Title 14, Chapter 5, Article 2, as set forth in the NPRM attached hereto as Exhibit A, and further modified as described in Findings of Fact No. 32.

2. The Commission is required to submit this rulemaking to the Office of the Attorney General for certification under A.R.S. § 41-1044.

...

¹¹ The EIS attached as Exhibit C is based upon the updated EIS filed by Staff on September 3, 2013.

¹² Although A.R.S. § 41-1057 exempts the Commission from having its rules reviewed by GRRC and from application of A.R.S. § 41-1055, it also requires the Commission to adopt substantially similar rule review procedures, to include preparation of an economic impact statement and a statement of the effect of the rule on small business.

¹³ See, e.g., A.A.C. R1-1-105(D), R1-1-601, and R1-1-602.

5. The revisions to A.A.C. Title 14, Chapter 5, Article 2, as set forth in the NPRM attached hereto as Exhibit A, with the further modifications set forth in Findings of Fact No. 32, are clear, concise, and understandable; within the Commission's power to make; within enacted legislative standards; and made in compliance with appropriate procedures.

13 7. The EIS attached hereto as Exhibit C substantially conforms to the requirements of
14 A.R.S. §§ 41-1057 and 41-1055 and should be adopted.

19 ORDER

IT IS FURTHER ORDERED that the Commission hereby adopts the Economic Impact Statement attached hereto as Exhibit C.

IT IS FURTHER ORDERED that the Commission's Safety Division/Legal Division shall prepare and file with the Office of the Attorney General, for certification under A.R.S. § 41-1044, a

1 Notice of Final Rulemaking package that includes (1) A Notice of Final Rulemaking setting forth the
2 text of A.A.C. Title 14, Chapter 5, Article 2, adopted herein and a Preamble conforming to A.R.S. §
3 41-1001(15)(d) and including the summary of comments and Commission responses adopted herein
4 as well as language demonstrating the need for an immediate effective date for the rulemaking as
5 provided under A.R.S. § 41-1032; (2) the Economic Impact Statement adopted herein; (3) any
6 additional documents required by the Office of the Attorney General for certification under A.R.S. §
7 41-1044; and (4) any additional documents required for publication and codification by the Office of
8 the Secretary of State after the rulemaking is certified by the Office of the Attorney General.

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1 IT IS FURTHER ORDERED that the Commission's Safety Division/Legal Division is
2 authorized to make non-substantive changes in the text of A.A.C. Title 14, Chapter 5, Article 2
3 adopted herein; the summary of comments and Commission responses adopted herein; the Economic
4 Impact Statement adopted herein; and any of the additional documents required by the Office of the
5 Attorney General or the Office of the Secretary of State, in response to comments received from the
6 Office of the Attorney General or the Office of the Secretary of State during the certification,
7 publication, and/or codification process, unless the Commission requires otherwise after notification
8 of those changes.

9 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

10 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
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12

13 CHAIRMAN

COMMISSIONER

14
15 COMMISSIONER

COMMISSIONER

COMMISSIONER

16
17 IN WITNESS WHEREOF, I, JODI JERICH, Executive
18 Director of the Arizona Corporation Commission, have
19 hereunto set my hand and caused the official seal of the
20 Commission to be affixed at the Capitol, in the City of Phoenix,
21 this _____ day of _____ 2013.

22
23 JODI JERICH
24 EXECUTIVE DIRECTOR

25 DISSENT _____

26
27 DISSENT _____
28

1 SERVICE LIST FOR:

RULEMAKING

2 DOCKET NO.:

RG-00000A-13-0049

3

4 Mr. Frank Perkins, Plant Manager
5 Arizona Public Service Company
6 Post Office Box 53999
7 Mail Station 4120
8 Phoenix, Arizona 85072-3999

Mr. Otis Williams, Station Manager
Swissport Fueling Inc.
4200 East Airline Drive
Phoenix, Arizona 85034

7 Mr. Bill Watson, Jr.
8 Compliance Auditor
9 Mineral Park Mine
8275 North Mineral Park Rd.
9 Golden Valley, Arizona 86413

Mr. Don Esperson
Pipeline Manager
Swissport Fueling Inc.
4200 East Airline Drive
Phoenix, Arizona 85034

10 Mr. Glenn Nichols
11 City Manager
12 City of Benson
160 South Huachuca
12 Benson, Arizona 85602

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General Manager
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Duncan, Arizona 85534

13 Dindy Bird, Manager
14 Alliance Propane
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15 Post Office Box 3025
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Compliance
Kinder Morgan – El Paso Natural Gas
8725 Alameda Park Dr., N.E.
Albuquerque, New Mexico 87113

16 Mr. James Payne, District Manager
17 Alliance Propane
200 West Longhorn Road
18 Payson, Arizona 85541

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20 Facilities Supervisor
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14702 West Olive Avenue
21 Waddell, Arizona 85355

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Post Office Drawer B
Pima, Arizona 85543

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23 Plains LPG Services, L.P.
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Canada T2P 0A7

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Director of Energy Resources
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25 Mr. Nick Martinez
26 Utilities Supervisor
Copper Market Incorporated
27 Post Office Box 245
Bagdad, Arizona 86321

Mr. Eric Buckley, Utilities Director
City of Safford
Post Office Box 272
Safford, Arizona 85548

28

1 Mr. Nathan Shelly
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2 Unisource Energy
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3 Flagstaff, Arizona 86001

4 Mrs. Debra Gallo
Manager Regulatory Affairs
5 Southwest Gas Corporation
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6 Las Vegas, Nevada 89193-8510

7 Mr. Pat McCourt
City Manager
8 City of Willcox
250 N. Railroad Avenue
9 Willcox, Arizona 85643

10 Mr. Doug Adams
Plant Manager
11 Nucor Steel Kingman
3000 Highway 66 South
12 Kingman, Arizona 86413

13 Mr. Dan DiMiccio
14 Vice President/General Manager
Nucor Steel Utah
15 Post Office Box 100
Plymouth, Utah 84330

16 Mr. Stephen Swan, Engineering Manager
17 Pinalco Aerospace Aluminum
683.3 West Willis Road
18 Box 5050
19 Chandler, Arizona 85226

20 Pinal County Building Inspections
Queen Creek, Magma Gas Area
21 Building Safety Division
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22 31 North Pinal St., Bldg. D
Florence, Arizona 85232

23 Mr. Greg Merdick
24 Cox Communications
Community Relations
25 1550 W. Deer Valley Rd.
Phoenix, Arizona 85027

26 Jones Intercable
27 Regulatory Division
8251 North Cortaro Road
28 Tucson, Arizona 85743-9599

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Legal Department – DB203
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Association of General Contractors
1825 West Adams
Phoenix, Arizona 85007

Mr. Clark Tartar and Mr. Frank Harris
Arizona Pipeline Company
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The Arizona Utility Group
Bill Parry-Chairman
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Prescott, Arizona 86301

Mr. John H. Shorbe, Sr.
Southern Arizona Home
Builders Association
2840 North Country Club Road
Tucson, Arizona 85716

Mr. John Richardson, Park Manager
Canyon Valle Airpark
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Williams, Arizona 86406

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Manager
Havasus Springs Resort
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1 Mr. John Bowen
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5 Willcox, Arizona 85643
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7 Mr. Phillip Stahl
8 District Manager
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32 Colorado City Gas
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34 Hildale, Utah 84784
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36 Mr. Robert Stone
37 Plant Manager
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40 Gila Bend, Arizona 85337
41
42 Mr. Ray Latchem
43 President
44 Desert Gas Services
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EXHIBIT A**Arizona Administrative Register / Secretary of State****Notices of Proposed Rulemaking****NOTICES OF PROPOSED RULEMAKING**

Unless exempted by A.R.S. § 41-1005, each agency shall begin the rulemaking process by first submitting to the Secretary of State's Office a Notice of Rulemaking Docket Opening followed by a Notice of Proposed Rulemaking that contains the preamble and the full text of the rules. The Secretary of State's Office publishes each Notice in the next available issue of the *Register* according to the schedule of deadlines for *Register* publication. Under the Administrative Procedure Act (A.R.S. § 41-1001 et seq.), an agency must allow at least 30 days to elapse after the publication of the Notice of Proposed Rulemaking in the *Register* before beginning any proceedings for making, amending, or repealing any rule. (A.R.S. §§ 41-1013 and 41-1022)

NOTICE OF PROPOSED RULEMAKING**TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION****CHAPTER 5. CORPORATION COMMISSION – TRANSPORTATION**

Editor's Note: The following two Notices of Proposed Rulemaking were exempt from Executive Order 2012-03 as issued by Governor Brewer. (See the text of the executive order on page 1749.)

[R13-110]

PREAMBLE**1. Sections Affected****Rulemaking Action**

R14-5-201	Amend
R14-5-202	Amend
R14-5-203	Amend
R14-5-204	Amend
R14-5-205	Renumber
R14-5-205	New Section
R14-5-206	New Section
R14-5-207	Renumber
R14-5-207	Amend

2. Citations to the agency's statutory rulemaking authority to include the authorizing statute (general) and the implementing statute (specific):

Authorizing statute: A.R.S. § 40-441

Implementing statute: Arizona Constitution, Article XV, § 3

3. Citations to all related notices published in the *Register* as specified in R1-1-409(A) that pertain to the record of the proposed rule:Notice of Rulemaking Docket Opening: 19 A.A.R. 1742, July 5, 2013 (*in this issue*)**4. The agency's contact person who can answer questions about the rulemaking:**

Name: Charles Hains, Commission Counsel, Legal Division

Address: Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Telephone: (602) 542-3402

Fax: (602) 542-4870

E-mail: Chains@azcc.gov

Web site: www.azcc.gov

5. An agency's justification and reason why a rule should be made, amended, repealed or renumbered, to include an explanation about the rulemaking:

The purpose of the proposed rules would amend R14-5-201, R14-5-202, R14-5-203, R14-5-204, renumber R14-5-205 and add new rules R14-5-206 and R14-5-207, of the Pipeline Safety Rules.

*Arizona Administrative Register / Secretary of State***Notices of Proposed Rulemaking**

The amendments to R14-5-201 will update the meanings of the definitions and add definitions for several terms used within the rules. The amendments to R14-5-202, R14-5-203 and R14-5-204 are revised for clarity and to update incorporations by reference of the most recent amendments to the *Code of Federal Regulations* ("CFR"), Title 49.

R14-5-205 (Master Meter System Operators) is renumbered as R14-5-207. New rule R14-5-205 (Commission Investigations) is added.

New rule R14-5-206 (Employee Drug and Alcohol Testing Requirements) is added and adopts by reference the federal employee drug and alcohol testing requirement applicable to interstate pipeline and applies to intrastate gas or hazardous liquid pipeline facilities and intrastate LNG facilities.

Renumbered rule R14-5-207 is modified for clarity.

- 6. A reference to any study relevant to the rule that the agency reviewed and proposes either to rely on or not to rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:**

None

- 7. A showing of good cause why the rulemaking is necessary to promote a statewide interest if the rulemaking will diminish a previous grant of authority of a political subdivision of this state:**

Not applicable

- 8. The preliminary summary of the economic, small business, and consumer impact:**

Small Business Subject to the Rules: These rules do not change the responsibilities of master meter operators already established in 1970 by the adoption by the Commission of the *Code of Federal Regulations*, Title 49, Parts 191 and 192.

The new rules will have no effect on consumers or users of the gas service provided by regulated public utilities as they presently are required to be in compliance with all standards, but this will benefit consumers, users and the general public by maintaining a safe pipeline system.

The proposed rules are the least costly method for obtaining compliance with the long standing minimum safety standards. The rules do not impose additional standards. There is no less intrusive method.

- 9. The agency's contact person who can answer questions about the economic, small business and consumer impact statement:**

Name: Robert Miller, Office of Pipeline Safety
 Address: Arizona Corporation Commission
 2200 N. Central Ave., Suite 300
 Phoenix, AZ 85004
 Telephone: (602) 262-5601
 Fax: (602) 262-5620
 E-mail: RMiller@azcc.gov
 Web site: www.azcc.gov

- 10. The time, place, and nature of the proceedings to make, amend, repeal, or renumber the rule, or if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:**

The Commission has scheduled the following oral proceeding for public comments:

Date: August 9, 2013
 Time: 10:00 a.m.
 Location: Arizona Corporation Commission
 Hearing Room 1
 1200 W. Washington St.
 Phoenix, AZ 85007
 Nature: Public Comment Hearing

Written comments can be submitted on or before August 9, 2013, to the Commission's Docket Control at the address listed above. Please reference Docket No. RG-00000A-13-0049 on all documents.

Oral comments may be provided at the proceedings on August 9, 2013, at 10:00 a.m.

- 11. All agencies shall list other matters prescribed by statute applicable to the specific agency or to any specific rule or class of rules. Additionally, an agency subject to Council review under A.R.S. §§ 41-1052 and 41-1055 shall respond to the following questions:**

None

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Notices of Proposed Rulemaking

a. Whether the rule requires a permit, whether a general permit is used and if not, the reasons why a general permit is not used:

Not applicable

b. Whether a federal law is applicable to the subject of the rule, whether the rule is more stringent than federal law and if so, citation to the statutory authority to exceed the requirements of federal law:

Not applicable

c. Whether a person submitted an analysis to the agency that compares the rule's impact on the competitiveness of business in this state to the impact on business in other states:

Not applicable

12. A list of any incorporated by reference material as specified in A.R.S. § 41-1028 and its location in the rules:

49 CFR 40 (October 1, 2012) adopted in R14-5-202(B)

49 CFR 191 (October 1, 2012) adopted in R14-5-202(B)

49 CFR 192 (October 1, 2012), except I(A)(2) and (3) of Appendix D to part 192 adopted in R14-5-202(B)

49 CFR 193 (October 1, 2012) adopted in R14-5-202(B)

49 CFR 195 (October 1, 2012), except 195.1(b)(2), (3), and (4) adopted in R14-5-202(B)

49 CFR 199 (October 1, 2012) adopted in R14-5-202(B)

13. The full text of the rules follows:**TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION****CHAPTER 5. CORPORATION COMMISSION – TRANSPORTATION****ARTICLE 2. PIPELINE SAFETY**

Section

R14-5-201. Definitions

R14-5-202. Construction and Safety Standards for Gas, LNG, and Hazardous Liquid Pipeline Systems

R14-5-203. Pipeline Incident Reports and Investigations

R14-5-204. Annual Reports

R14-5-205. Commission InvestigationsR14-5-206. Employee Drug and Alcohol Testing Requirements~~R14-5-205-R14-5-207.~~ Master Meter System Operators**ARTICLE 2. PIPELINE SAFETY****R14-5-201. Definitions**

As used in this Article:

- ~~1.~~ "Abandon" means disconnecting the pipeline from all sources and supplies of gas, or hazardous liquids, purging the gas or hazardous liquids from the pipeline being disconnected and capping all ends.
- ~~2.~~ 1. "Building" means any structure intended for supporting or sheltering any occupancy.
- ~~3.~~ "Business District" means an area where the public congregate for economic, industrial, religious, education, health or recreational purposes and two or more buildings used for these purposes are located within 100 yards of each other.
- ~~4.~~ 2. "Commission" means the Arizona Corporation Commission.
3. "Discontinuation of service" means an interruption in service expected to exceed four hours, occurring after an operator tests a service line or meter set assembly and determines that additional actions are necessary to restore service because of a leak or hazardous operating condition.
4. "DOT" means the U.S. Department of Transportation.
5. "Evacuation" means denying entry into or the organized clearing of a building or buildings, involving:
 - a. One hundred or more individuals from any number of buildings;
 - b. All of the individuals present from five or more buildings;
 - c. All of the individuals present from five or more businesses within a single building such as a strip mall; or
 - d. A nonresidential building occupied by individuals who are confined, are of impaired mobility, or would be difficult to evacuate because of their age or physical or mental condition or capabilities, such as a hospital, prison, school, daycare facility, retirement facility, or assisted living facility.

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6. "Gas" means natural gas, flammable gas, or toxic or corrosive gas and includes LPG and LNG that is vaporized.
7. "Hazardous liquid" means:
 - a. Petroleum.
 - b. A petroleum product, or
 - c. Anhydrous ammonia.
8. "Independent laboratory" means a laboratory that is not owned or operated by an operator and that has no affiliation with the operator through ownership, contract, or familial relationship.
- 5-9. "Intrastate pipeline" means all pipeline facilities, included in the definition of "pipeline system" that are used by public service corporations as a provider to transport natural gas, Liquefied Natural Gas ("LNG"), LNG, other gas or a hazardous liquids liquid within Arizona; and that are not used to transport gas, LNG, or a hazardous liquids liquid in interstate or foreign commerce. This includes, without limitation, any equipment, facility, building, or other property used or intended for use in transporting gas, LNG, or a hazardous liquids liquid.
10. "Liquefied natural gas" means natural gas or synthetic gas having as its major constituent methane (CH₄) that has been changed to a liquid.
11. "LNG" means liquefied natural gas.
12. "LNG facility" means those portions of a pipeline system that are used for transporting or storing LNG or for LNG conversion.
13. "LPG" means liquefied petroleum gas.
14. "MAOP" means maximum allowable operating pressure, the maximum pressure at which a gas or LPG pipeline or segment of pipeline may be operated.
- 6-15. "Master meter system" means physical facilities for distributing gas within a definable area where the operator purchases metered gas from a public service corporation provider to provide gas service to two or more buildings other than at a single family residence.
16. "Office of Pipeline Safety" means the Commission personnel assigned to perform the Commission's day-to-day activities under A.R.S. Title 40, Chapter 2, Article 10, who are headquartered at 2200 N. Central Ave., Suite 300, Phoenix, AZ 85004 and whose contact information is available at <http://www.azcc.gov/Divisions/Safety>.
- 7-17. "Operator" means a person that owns or operates a pipeline system or master meter system.
18. "OPS" means "Office of Pipeline Safety," as defined herein.
19. "Outage" means an unplanned and unscheduled discontinuation of service:
 - a. Concurrently to 250 or more residential customer accounts or to 10 or more commercial customer accounts; or
 - b. To a nonresidential building occupied by individuals who are confined, are of impaired mobility, or would be difficult to evacuate or relocate because of age or physical or mental condition or capabilities, such as a hospital, prison, school, daycare facility, retirement facility, or assisted living facility.
- 8-20. "Person" means any individual, firm, joint venture, partnership, corporation, association, cooperative association, joint stock association, trustee, receiver, assignee, or personal representative, or the state or any political subdivision thereof of the state.
21. "PHMSA" means the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration.
- 9-22. "Pipeline system" means all parts of those the physical facilities that are used by of a public service corporations corporation or provider through which natural gas, LPG, LNG, other gases or a hazardous liquids move liquid moves in transportation, including, but not limited to; pipes, compressor units, metering stations, regulator stations, delivery stations, holders, and fabricated assemblies, and other equipment, buildings, and property so used.
23. "Provider" means any intrastate gas pipeline operator, public service corporation, or municipality that provides natural gas or LPG service to a master meter customer.
24. "PSIG" means pounds per square inch gauge.
25. "Public service corporation" has the same meaning as in Article 15, § 2 of the Arizona Constitution.
10. "Office of Pipeline Safety" means the Pipeline Safety personnel for the Commission.
- 11-26. "Sandy type soil" means sand no larger than "coarse" as defined by the American Society for Testing and Materials, ASTM D-2487-83 (1983 Edition), Standard Practice for Classification of Soils for Engineering Purposes (1983), incorporated by reference (and no future amendments) and including no future editions or amendments, which is incorporated by reference; on file with the Office of the Secretary of State Pipeline Safety; and copies available from the Commission Office of Pipeline Safety, 1200 West Washington, Phoenix, Arizona 85007 published by and available from ASTM International, 100 Barr Harbor Drive, P.O. Box C700, West Conshohocken, PA 19428-2959.
27. "Sour gas" means natural gas that contains the corrosive sulfur-bearing compound hydrogen sulfide (H₂S).
28. "Sour oil" means crude oil containing the impurity sulfur in a concentration greater than 0.5 percent.
- 12-29. "State" means the state of Arizona and all lands within its boundaries.
- 13-30. "Structure" means something that which is built or constructed, an edifice or building of any kind or any piece of work artificially built or composed of parts joined together in some definite manner.
- 14-31. "Transport" or "transportation" of gas, LNG, or a hazardous liquids liquid means the gathering, transmission, distribution, or storage of gas, LNG, or a hazardous liquids liquid by using a pipeline system within the state.

Arizona Administrative Register / Secretary of State
Notices of Proposed Rulemaking

32. "Unknown failure" means an occurrence in which a portion of a pipeline system fails, and:

- a. The cause cannot be attributed to any observable external corrosion, third-party damage, natural or other outside force, construction or material defect, equipment malfunction, or incorrect operations; or
- b. The operator and the Office of Pipeline Safety disagree as to the cause.

R14-5-202. Construction and Safety Standards for Gas, LNG, and Hazardous Liquid Pipeline Systems

- A. Applicability: This ~~rule~~ Section applies to the construction, reconstruction, repair, operation, and maintenance of ~~all~~ each intrastate ~~natural gas, other gas, LNG, and or hazardous liquid pipeline systems, system, pursuant to as described in~~ A.R.S. § 40-441.
- B. Subject to the definitional changes in R14-5-201 and the ~~revisions~~ modifications noted in ~~subsection (C) this Section, the~~ Commission adopts, incorporates, and approves as its own 49 CFR 40; 191; 192, except ~~1(2) and (3) (1)(A)(2) and (3) of~~ Appendix D to Part 192; 193; 195, except 195.1(b)(2), and (3), and (4); and 199, ~~revised as of October 1, 2010 (October 1, 2012), including (and no future editions or amendments), which are incorporated by reference; on file with and copies~~ available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004 and; and published by and available from the United States U.S. Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954 710 North Capital Street N.W., Washington, DC 20401, and at <http://www.gpo.gov/fdsys/>. For purposes of 49 CFR 192, "Business District" means an area where the public congregate for economic, industrial, religious, educational, health, or recreational purposes and two or more buildings used for these purposes are located within 100 yards of each other.
- C. The above mentioned incorporated Parts of 49 CFR, except ~~Parts~~ 49 CFR 191; 49 CFR 192.727(g)(1), 192.913(b)(1)(vii), 192.943(a), 192.949(a), (b), and 192.951; 49 CFR 193 Subpart A; and 49 CFR 195 ~~Subpart~~ Subparts A and B, are revised as follows:
 1. Substitute "Commission" where "Administrator," ~~of the Research and Special Programs Administration~~ "Pipeline and Hazardous Materials Administration," ~~or "Office of Pipeline Safety," or ("OPS") appear; appears; and~~
 2. Substitute "Office of Pipeline Safety, Arizona Corporation Commission, at its office in Phoenix, Arizona" where the address for the "Information Resources Manager, Office of Pipeline Safety, Pipeline and Hazardous Materials Safety Administration, U.S. Department of Transportation" appears.
- D. ~~Operators~~ An operator of an intrastate pipeline ~~will~~ shall file with the Commission an Operation and Maintenance Plan (~~O & M~~), including an emergency plan, ~~at least 30 days prior to before~~ placing a pipeline system into operation. Any changes in ~~an existing plans~~ Operation and Maintenance Plan will shall be filed within 30 days ~~of after~~ the effective date of the change.
- E. ~~Operators~~ An operator of an intrastate pipeline transporting sour gas or sour oil ~~are subject to~~ shall comply with the fol- lowing industry standards addressing facilities handling hydrogen sulfide (H₂S). Standards adopted are, which are incor- porated by reference, including no future editions or amendments:
 1. NACE Standard ~~MR0175~~ MR0175-99, Standard Materials Requirements-Sulfide Stress Cracking Resistant Metallic Material for Oilfield Equipment (1999 Revision), ~~incorporated by reference and no future amendments. Copies are~~ available from on file with the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004 and pub- lished by and available from the NACE International, 1440 S. Creek Dr., Houston, TX 77084-4906; and
 2. API RP55; (1995 Edition); ~~(and no future amendments)~~ API recommended practice for conducting oil and gas pro- duction operations involving hydrogen sulfide, incorporated by reference and no future amendments. Copies are Rec- ommended Practice for Conducting Oil and Gas Producing and Gas Processing Plant Operations Involving Hydrogen Sulfide (2nd Edition 1995), available from on file with the Office of Pipeline Safety and published by and available from the American Petroleum Institute, 1200 L Street, N.W., Washington, DC 20005-4070 20005-4070 and at Feeh- street, <http://www.techstreet.com/>.
- F. ~~Operators~~ An operator of an intrastate pipeline transporting LNG, hazardous liquid, ~~natural gas or other gas will~~ shall not construct any part of a hazardous liquid, LNG, ~~natural gas or other gas pipeline system under a building. For building~~ encroachments If a building encroaches over a pipeline system, the operator may require the property owner to remove the building from over the pipeline or to reimburse the operator the cost associated with relocating the pipeline system. The operator shall determine, within 90 days after discovering the encroachment, whether the encroachment can be resolved within 180 days. If the operator determines that the encroachment cannot be resolved within 180 days, the operator shall, within 90 days of discovery, submit to the Office of Pipeline Safety a written plan to resolve the encroachment within a period longer than 180 days. The encroachment shall be resolved within 180 days of discovery, or the operator shall dis- continue service to the pipeline system. When the encroachment cannot be resolved within the 180 days the operator shall submit to the Office of Pipeline Safety within 90 days of discovery a written plan to resolve the encroachment. The Office of Pipeline Safety may then extend the 180-day requirement in order to allow the ratepayer property owner and the opera- tor to implement the written plan to resolve the encroachment. If the operator does not submit a written plan, and the encroachment is not resolved within 180 days of discovery, the operator shall discontinue service to the pipeline system. This modifies 49 CFR 192.361 and 195.210.
- G. ~~Operators~~ An operator of an intrastate distribution pipeline transporting ~~natural gas or other gas will~~ shall not construct any part of a pipeline system ~~closer~~ less than 8 inches ~~to away from~~ any other underground structure. If the 8-inch clear-

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ance cannot be maintained from other underground structures, a sleeve, casing, or shielding shall be used. This modifies 49 CFR 192.361.

- H.** Operators An operator of an intrastate pipeline transporting ~~natural gas or other gas~~ that ~~have~~ has regulators, meters, or regulation meter sets that have been out of service for 36 months ~~will shall~~ abandon those lines disconnect the pipeline from all sources and supplies of gas or hazardous liquids, purge the gas or hazardous liquids from the pipeline being disconnected, and cap all ends. The Operator's steps to accomplish the abandonment shall not exceed within six months beyond after the 36 months out-service status have passed. This modifies 49 CFR 192.727.
- I.** Operators An operator of an intrastate pipeline shall not install or operate a gas regulator that might release gas ~~in its operation closer than within~~ 3 feet to ~~of~~ a source of ignition, ~~an~~ opening into a building, ~~an~~ air intake into a building, or to any electrical source ~~that is~~ not intrinsically safe. The 3 foot clearance from a source of ignition ~~will shall~~ be measured from the vent or source of release (discharge port), not from the physical location of the meter set assembly. This subsection ~~shall not be effective with respect~~ does not apply to building permits ~~which are issued and subdivisions which are~~ platted prior to before October 1, 2000. ~~For If an~~ encroachment ~~within into~~ the required 3 foot clearance ~~is~~ caused by an action of the property owner, ~~an~~ occupant, or a ~~service~~ provider; after the effective date of this rule, the operator may require the property owner to resolve the encroachment or to reimburse the operator the cost associated with relocating the pipeline system. The operator shall determine, within 90 days after discovering the encroachment, whether the encroachment can be resolved within 180 days. If the operator determines that the encroachment cannot be resolved within 180 days, the operator shall, within 90 days of discovery, submit to the Office of Pipeline Safety a written plan to resolve the encroachment within a period longer than 180 days. The encroachment shall be resolved within 180 days of discovery or the operator shall discontinue service to the effected pipeline system. When the encroachment cannot be resolved within the 180 days the operator shall submit to the Office of Pipeline Safety within 90 days of discovery a written plan to resolve the encroachment. The Office of Pipeline Safety may then extend the 180-day requirement in order to allow the ratepayer property owner and the operator to implement the written plan to resolve the encroachment. If the operator does not submit a written plan, and the encroachment is not resolved within 180 days of discovery, the operator shall discontinue service to the affected pipeline system. This modifies 49 CFR 192.357 and 192.361.
- J.** Operators An operator of an intrastate pipeline transporting LNG, ~~natural gas, other gases or a hazardous liquid~~ will utilize shall use a cathodic protection system designed to protect the metallic pipeline in its entirety, in accordance with 49 CFR 192, Subpart I, October 1, 2010 (and no future amendments), incorporated by reference, and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004; and the United States Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954, except ~~1(2) and (3)~~ (1)(A)(2) and (3) of Appendix D to Part 192 shall not be utilized. This modifies 49 CFR 192.463(a), 193.2629, and 195.571.
- K.** Operators ~~of an intrastate pipeline transporting natural gas or other gas will not use solvent cement to join together plastic pipe manufactured from different materials unless the operator utilizes a joining procedure in accordance with the specifications of 49 CFR 192, Subpart F, October 1, 2010 (and no future amendments), incorporated by reference, and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004, and the United States Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954.~~
- L.K.** Operators An operator of an intrastate pipeline transporting hazardous liquid, ~~natural gas or other gas will shall~~ not install ~~Acrylonitrile-Butadiene-Styrene Acrylonitrile-Butadiene-Styrene~~ (ABS) or aluminum pipe in ~~their a~~ pipeline systems system. This modifies 49 CFR 192.53 and 192.59.
- M.L.** Operators An operator of an intrastate pipeline transporting hazardous liquid, ~~natural gas or other gas will shall~~ not install plastic pipe aboveground unless the plastic pipeline is protected by a metal casing, or equivalent, and the installation is approved by the Office of Pipeline Safety. Temporary An operator may use a temporary aboveground plastic pipeline by passes are permitted bypass for up to 60 days, provided that the plastic pipeline is protected and is under the direct supervision of the operator at all times. This modifies 49 CFR 192.321 and 195.254.
- N.M.** Operators An operator of an intrastate pipeline transporting hazardous liquid, ~~natural gas or other gas that construct constructs~~ a pipeline system or any portion thereof using plastic pipe; ~~will shall~~ install, at a minimum, a 14-gauge coated or corrosion resistant, electrically conductive wire as a means of locating the pipe while it is underground. Tracer wire shall not be wrapped around the plastic pipe; ~~tracer~~ Tracer wire may be taped, or attached ~~in some manner~~ to the pipe ~~in another manner~~, provided that the adhesive or the attachment is not detrimental to the integrity of the pipe wall. This modifies 49 CFR 192.321 and 195.246.
- O.N.** Operators An operator of an intrastate pipeline transporting ~~natural gas, other gas or hazardous liquid; that construct constructs~~ an underground pipeline system using plastic pipe; ~~will shall~~ bury the installed pipe with a ~~minimum of at least~~ 6 inches of sandy type soil, ~~free of any rock or debris, surrounding the pipe for bedding and shading, free of any rock or debris, unless the pipe is otherwise protected and as approved by the Office of Pipeline Safety. Steel pipe shall be installed with at least 6 inches of sandy type soil, free of any debris or materials injurious to the pipe coating, surrounding the pipe for bedding and shading, free of any debris or materials injurious to the pipe coating, unless the pipe is otherwise protected and as approved by the Office of Pipeline Safety. This modifies 49 CFR 192.321, 192.361 and 195.246.~~
- P.O.** Operators An operator of an intrastate pipeline transporting ~~natural gas or other gas that construct constructs~~ an underground pipeline system using plastic pipe ~~will shall~~ install the pipe with sufficient slack to allow for thermal expansion

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and contraction. In addition, all plastic pipe and fittings for use in an area with service temperatures above 100° F shall be tested and marked CD, CE, CF, or CG as required by ASTM D2513 (1995e Edition and no future editions) (1995), including no future editions or amendments, which is incorporated by reference, on file with the Office of Pipeline Safety, and published by and copies available from ASTM International, 100 Barr Harbor Dr., P.O. Box C700, W. Conshohocken, PA 19428-2959, for areas where the service temperature is above 100° F and through <http://www.astm.org>. This modifies 49 CFR 192.63.

Q.P. Operators An operator of an intrastate pipeline system transporting hazardous liquid, natural gas or other gases shall qualify welding procedures and shall perform ensure that welding of steel pipelines is performed in accordance with API Standard 1104, as incorporated by reference in 49 CFR 192.7, by welders qualified pursuant to API Standard 1104, except that Each welder must be qualified in accordance with API Standard 1104, 49 CFR 192, 192.7. The qualification of welders qualified as delineated in 49 CFR 192, appendix Appendix C may be used for low stress level pipe. This modifies 49 CFR 192.225, 192.227, 195.214, and 195.222.

R.Q. Operators An operator of an intrastate pipeline transporting natural gas or other gas pipeline system shall survey and grade all detected leakage by the following guide: according to the standards provided below, which modify 49 CFR 192.706 and 192.723: ASME Guide for Gas Transmission and Distribution Pipeline System, Guide Material, Appendix G-11-1983 except 4.4(c) (1983 Revision and no future revisions), incorporated by reference and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004 and the ASME, Three Park Avenue, New York, NY 10016-5990. ("Should" as referenced in the Guide will be interpreted to mean "shall"). Leakage survey records shall identify in some manner each pipeline surveyed. Records shall be maintained to demonstrate that the required leakage survey has been conducted.

1. In the case of all gas except LPG, leakage surveys and grading shall be performed pursuant to the standards set by ASME Guide for Gas Transmission and Distribution Pipeline System, Guide Material, Appendix G-11-1983, including no future editions or amendments, which is incorporated by reference; on file with the Office of Pipeline Safety; published by and available from ASME, Three Park Avenue, New York, NY 10016-5990; and modified by omitting 4.4(c) and by replacing "should" with "shall" each time it appears.
2. In the case of LPG, leakage surveys and grading shall be performed pursuant to the standards set by ASME Guide for Gas Transmission and Distribution Pipeline System, Guide Material, Appendix G-11A-1983, including no future editions or amendments, which is incorporated by reference; on file with the Office of Pipeline Safety; published by and available from ASME, Three Park Avenue, New York, NY 10016-5990; and modified by replacing "should" with "shall" each time it appears.
3. Leakage survey records shall identify in some manner each pipeline surveyed and shall be maintained to demonstrate that each required leakage survey has been conducted. This modifies 49 CFR 192.706 and 192.723.

S. Laboratory testing of intrastate pipelines shall be conducted in accordance with the following:

1. If an operator of an intrastate natural gas, other gas, or hazardous liquid pipeline removes a portion of a failed pipeline, where the cause of the failure is unknown, as the result of an incident that requires a telephonic or written incident report under R14-5-203(B) or (C), the operator shall retain the portion that was removed and shall telephonically notify the Office of Pipeline Safety of the removal within two hours after the removal is completed. A notice made pursuant to this subsection shall include all of the following:
 - a. Identity of the failed pipeline;
 - b. Description and location of the failure;
 - c. Date and time of the removal;
 - d. Length or quantity of the removed portion;
 - e. Storage location of the removed portion;
 - f. Any additional information about the failure or the removal of the portion of the pipeline that failed that is requested by the Office of Pipeline Safety. An unknown failure is any failure where the cause of the failure is not observable external corrosion, third-party damage, natural or other outside forces, construction or material defect, equipment malfunction or incorrect operations; or is any failure where the Office of Pipeline Safety and the operator do not agree as to the cause of the failure.
2. Within 48 hours after telephonic notification pursuant to subsection (1), the Office of Pipeline Safety shall notify the operator that either:
 - a. The Office of Pipeline Safety is directing the operator to have the portion of the pipeline that was removed tested by a laboratory to determine the cause or causes of the failure; or
 - b. The Office of Pipeline Safety is not directing laboratory testing and the operator may discard the portion of the pipeline that was removed. The Office of Pipeline Safety shall confirm its notification in writing.
3. If the Office of Pipeline Safety directs laboratory testing pursuant to subsection (2)(a):
 - a. The Office of Pipeline Safety shall:
 - i. Determine the laboratory that will do the testing pursuant to subsection (4) and the period of time within which the testing is to be completed.
 - ii. Approve the number and types of tests to be performed.

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- iii. Notify the operator of its determinations pursuant to subsections (3)(a)(i) and (ii).
 - b. The operator shall:
 - i. Notify the Office of Pipeline Safety of the number and types of tests proposed by the operator.
 - ii. Notify the Office of Pipeline Safety of the date and time of any laboratory tests at least 20 days before the tests are done.
 - iii. At the request of the Office of Pipeline Safety, ensure that a representative of the Office of Pipeline Safety is permitted to observe any or all of the tests.
 - iv. Ensure that the original laboratory test results are provided to the Office of Pipeline Safety within 30 days of the completion of the tests.
 - v. Pay for the laboratory testing.
- 4. In determining a laboratory pursuant to subsection (3)(a)(i), the Office of Pipeline Safety shall:
 - a. Submit a written request to at least three different laboratories for bids to conduct the testing.
 - b. Consider the qualifications of the respondent laboratories to perform the testing, including:
 - i. Past experience in performing the required test or tests according to ASTM International standards.
 - ii. Any recognition that the laboratory may demonstrate with national or international laboratory accreditation bodies.
 - c. Select the laboratory that offers the optimum balance between cost and demonstrated ability to perform the required test or tests.
 - d. The Office of Pipeline Safety shall not select a laboratory pursuant to this subsection before either of the following, whichever occurs first:
 - i. The Office of Pipeline Safety has received written bids from at least three different laboratories.
 - ii. Thirty days from the date of the request for bids has passed.
- R.** An operator of an intrastate transmission pipeline transporting gas shall conduct a leakage survey at least twice each calendar year, at an interval not exceeding 7 1/2 months, independent of class location, and shall repair each underground leak classified as grade two or three either upon discovery or within one year after discovery. This modifies 49 CFR 192.706 and 192.711.
- S.** An operator of an intrastate transmission pipeline transporting gas and operating at or above 20 percent of Specified Minimum Yield Strength shall ensure that nondestructive testing is completed for each weld performed on newly installed, replaced, or repaired pipeline or an appurtenance. This modifies 49 CFR 192.241.
- T.** In the event of an unknown failure of a gas, LNG, or hazardous liquid pipeline, resulting in the operator's being required to provide a telephonic or written report under R14-5-203(B) or (C) and in the operator's removing a portion of the failed pipeline, the following shall occur:
 - 1. The operator shall retain the portion of failed pipeline that was removed;
 - 2. The operator shall telephonically notify the Office of Pipeline Safety of the removal within two hours after the removal is completed, providing the following information:
 - a. Identity of the failed pipeline;
 - b. Description and location of the failure;
 - c. Date and time of the removal;
 - d. Length or quantity of the removed portion;
 - e. Storage location of the removed portion; and
 - f. Any additional information about the failure or the removal of the portion of the failed pipeline that is requested by the Office of Pipeline Safety;
 - 3. Within 48 hours after receiving telephonic notification pursuant to subsection (T)(2), the Office of Pipeline Safety shall:
 - a. Determine, based on the information provided by the operator and the availability, adequacy, and reliability of any pipeline testing laboratory operated by the operator, whether it is necessary to have the removed portion of pipeline tested at an independent laboratory; and
 - b. Telephonically notify the operator either:
 - i. That the operator must have the removed portion of pipeline tested, in accordance with Office of Pipeline Safety directions, by an independent laboratory selected by the Office of Pipeline Safety as provided in subsection (T)(5), to determine the cause or causes of the failure; or
 - ii. That the operator is not required to have the removed portion of pipeline tested by an independent laboratory and instead must conduct testing in its own pipeline testing laboratory, after which the operator may discard the removed portion of pipeline;
 - 4. After providing telephonic notice as provided in subsection (T)(3)(b), the Office of Pipeline Safety shall confirm its notification in writing;
 - 5. If the Office of Pipeline Safety directs testing by an independent laboratory:
 - a. The Office of Pipeline Safety shall:
 - i. Determine, as provided in subsection (T)(6), the independent laboratory that will do the testing and the

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- period of time within which the testing is to be completed;
- ii. Determine, based on the available information concerning the failure, the number and types of tests to be performed on the removed pipeline; and
- iii. Notify the operator of its determinations; and
- b. The operator shall:
 - i. Contact the selected independent laboratory to arrange the scheduling of the required tests;
 - ii. Notify the Office of Pipeline Safety, at least 20 days before the date of the tests, of the date and time scheduled for the laboratory tests;
 - iii. At the request of the Office of Pipeline Safety, ensure that a representative of the Office of Pipeline Safety is permitted to observe any or all of the tests;
 - iv. Ensure that the original test results are provided to the Office of Pipeline Safety by the independent laboratory within 30 days after the tests are completed; and
 - v. Pay for the independent laboratory testing; and
- 6. In determining an independent laboratory to perform testing required under subsection (T), the Office of Pipeline Safety shall:
 - a. Submit to at least three different independent laboratories written requests for bids to conduct the testing;
 - b. Consider each responding independent laboratory's qualifications to perform the testing, as demonstrated by:
 - i. Past experience in performing the required test or tests according to ASTM International standards; and
 - ii. Any recognition that a laboratory may have received from a national or international laboratory accreditation body, such as through a certification or accreditation process;
 - c. Wait to select an independent laboratory until one of the following occurs:
 - i. The Office of Pipeline Safety has received written bids from at least three different independent laboratories, or
 - ii. Thirty days have passed since the date of the request for bids; and
 - d. Select the independent laboratory that offers the optimum balance between cost and demonstrated ability to perform the required test or tests. This modifies 49 CFR 192.617, 193.2515, and 195.402.
- ~~F.U.~~ U. An operator shall ensure that all repair work performed on an existing intrastate pipeline transporting LNG, hazardous liquids, liquid, natural gas or other gas will comply with the provisions of this Article.
- ~~U.V.~~ V. The Commission may waive compliance with any of the aforementioned parts requirements of this Section upon a finding that such a waiver is in the interest of public and pipeline safety.
- ~~V.W.~~ W. To ensure compliance with the provisions of this rule Article, the Commission or an authorized representative thereof may enter the premises of an operator of an intrastate pipeline to inspect and investigate the property, books, papers, electronic files, business methods, and affairs that pertain to the pipeline system operation.
- ~~W.~~ All other Commission administrative rules are superseded to the extent they are in conflict with the pipeline safety provisions of this Article.

R14-5-203. Pipeline Incident Reports and Investigations

- A. Applicability. This rule Section applies to all intrastate pipeline systems.
- B. Required incident reports by telephone:
 - 1. ~~Operators~~ An operator of an intrastate pipeline transporting LNG, ~~natural gas or other gas will~~ shall immediately notify by telephone the Office of Pipeline Safety, at (602) 262-5601 during normal working hours or at (602) 252-4449 at all other times, immediately upon discovery of ~~discovering~~ the occurrence of any of the following:
 - a. ~~The release~~ Release of natural gas, other gas or liquefied natural gas (LNG) from a pipeline or LNG facility, when any of the following results:
 - i. Death or personal injury requiring hospitalization;
 - ii. ~~An explosion or fire not intentionally set by the operator.~~ Injury to any individual resulting in loss of consciousness;
 - iii. ~~Property damage, including the value of the gas lost, estimated in excess of \$5,000.~~ An explosion or fire not intentionally set by the operator;
 - iv. Property damage estimated in excess of \$5,000, including the value of the gas lost; or
 - v. Unintentional release of gas from a transmission pipeline;
 - b. Emergency transmission pipeline shutdown;
 - c. News media inquiry;
 - d. Overpressure of a pipeline system where a pipeline operating at less than 12 PSIG exceeds MAOP by 50%, where a pipeline operating between 12 PSIG and 60 PSIG exceeds MAOP by 6 PSIG, or where a pipeline operating over 60 PSIG exceeds MAOP plus 10%;
 - e. Permanent or temporary discontinuance of gas service to a master meter system or when assisting with the isolation of any portion of a gas master meter system due to a failure of a leak test;
 - f. Emergency shutdown of a any LNG process or storage facility;

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- g. An evacuation; or
h. An outage.
2. ~~Operators~~ An operator of an intrastate pipeline transporting hazardous liquid ~~will~~ shall immediately notify by telephone the Office of Pipeline Safety, at (602) 262-5601 during normal working hours or at (602) 252-4449 at all other times, ~~immediately upon discovery of~~ discovering a failure in a pipeline system resulting in the occurrence of any of the following:
- ~~Death or personal injury requiring hospitalization.~~ Injury to an individual that results in one or more of the following:
 - Death or personal injury requiring medical treatment.
 - Loss of consciousness, or
 - Inability of the individual to leave the scene of the incident unassisted;
 - An explosion or fire not intentionally set by the operator;
 - Property damage estimated in excess of \$5,000;
 - Pollution of any land; or stream, river, lake, reservoir, or other body of water that violates applicable environmental quality; or water quality standards, causes a discoloration of the water surface of the water or adjoining shoreline, or deposits sludge or emulsion beneath the water surface of the water or upon the adjoining shoreline;
 - News media inquiry;
 - Release of 5 gallons (19 liters) or more of hazardous liquid or carbon dioxide, except that no report is required for a release of less than 5 barrels (0.8 cubic meters) resulting from a pipeline maintenance activity if the release is:
 - Not otherwise reportable under this Section;
 - Not one described in 49 CFR 195.52(a)(4) (2010 revision and no future revisions), as incorporated by reference in R14-5-202 and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004;
 - Confined to company the operator's property or the pipeline right-of-way; and
 - Cleaned up promptly; or
 - Any release of hazardous liquid or carbon dioxide; that was significant in the judgment of the operator even though it did not meet any of the criteria of this subsection in subsections (B)(2)(a) through (f).
3. ~~Telephone~~ A telephonic incident reports will report shall include the following information:
- Name of the pipeline system operator,
 - Name of the reporting party,
 - Job title of the reporting party,
 - ~~The reporting party's telephone~~ Telephone number of the reporting party,
 - Location of the incident,
 - Time of the incident, and
 - Fatalities Description of any fatalities and injuries, if any.
- C. ~~Require~~ Required written incident report reports:
- ~~Operators~~ An operator of an intrastate pipeline transporting ~~natural gas, LNG or other gases will~~ gas shall file a written incident report when an incident ~~occurs~~ involving a ~~natural gas or other gas~~ pipeline that ~~results~~ occurs resulting in any of the following:
 - ~~An explosion or fire not intentionally set by the operator.~~ Release of gas or LNG from a pipeline or LNG facility, when any of the following results:
 - Death or personal injury requiring hospitalization;
 - Loss of consciousness;
 - An explosion or fire not intentionally set by the operator;
 - Property damage estimated in excess of \$25,000, including the value of all released gas; or
 - Unintentional release of gas from a transmission pipeline;
 - ~~Injury to a person that results in one or more of the following:~~
 - ~~Death;~~
 - ~~Loss of consciousness;~~
 - ~~Need for medical treatment requiring hospitalization.~~
 - An incident involving an evacuation, outage, or property damage and resulting in expenses including the value of any released gas and of restoring service or evacuation estimated in excess of \$25,000;
 - Property damage, including the value of the lost gas, estimated in excess of \$5,000;
 - ~~Emergency transmission pipeline shutdown;~~
 - ~~Overpressure of a pipeline system where a pipeline operating at less than 12 PSIG exceeds MAOP by 50%, where a pipeline operating between 12 PSIG and 60 PSIG exceeds MAOP by 6 PSIG, or where a pipeline operating over 60 PSIG exceeds MAOP plus 10%; or~~

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- f.e. Emergency shutdown of a any LNG ~~process or storage~~ facility.
2. ~~Written~~ A written incident reports ~~report~~ concerning a natural gas or other gas pipeline systems ~~system~~ will shall be in completed using the following form, as applicable, which are incorporated by reference; on file with the Office of Pipeline Safety; and published by and available from PHMSA at East Building, Second Floor, 1200 New Jersey Ave., S.E., Washington, DC 20590, and at <http://www.phmsa.dot.gov/pipeline/library/forms>:
 - a. PHMSA F7100.1 – Distribution System: Incident Report, (January, 2010 Revision and no future revisions) incorporated by reference and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004; Form PHMSA F 7100.1: Incident Report – Gas Distribution System (June 2011), including no future editions or amendments;
 - b. PHMSA F7100.2 – Transmission and Gathering System: Incident Report, (January, 2010 Revision and no future revisions) incorporated by reference and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004; Form PHMSA F 7100.2: Incident Report – Natural and Other Gas Transmission and Gathering Pipeline Systems (December 2012), including no future editions or amendments; or
 - c. ~~Written incident reports with respect to LNG facilities will be in an investigative form defining the incident and corrective action taken to prevent a recurrence. Form PHMSA F 7100.3: Incident Report – Liquefied Natural Gas (LNG) Facilities (June 2011), including no future editions or amendments.~~
 3. ~~Operators~~ An operator of an intrastate pipeline transporting hazardous liquid ~~will make shall file~~ a written incident report ~~on completed using Form PHMSA F 7000-1, (January 2010 Revision and no future revisions); Accident Report – Hazardous Liquid Pipeline Systems (December 2012), including no future editions or amendments, which is incorporated by reference, and copies available from on file with the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004, and published by and available from PHMSA as set forth in subsection (C)(2), when there is a release of hazardous liquid which results resulting in any of the following: any time the operator would have been required to make a notification as required under R14-5-203(B)(2).~~
 - a. ~~An explosion or fire not intentionally set by the operator.~~
 - b. ~~Injury to a person that results in one or more of the following:~~
 - i. ~~Death.~~
 - ii. ~~Loss of consciousness.~~
 - iii. ~~Inability to leave the scene of the incident unassisted.~~
 - iv. ~~Need for medical treatment.~~
 - v. ~~Disability which interferes with a person's normal daily activities beyond the date of the incident.~~
 - c. ~~Release of 5 gallons (19 liters) or more of hazardous liquid or carbon dioxide, except that no report is required for a release of less than 5 barrels (0.8 cubic meters) resulting from a pipeline maintenance activity if the release is:~~
 - i. ~~Not otherwise reportable under this Section;~~
 - ii. ~~Not one described in 49 CFR 195.52(a)(4); (2010 revision and no future revisions), incorporated by reference and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004;~~
 - iii. ~~Confined to company property or pipeline right-of-way; and~~
 - iv. ~~Cleaned up promptly.~~
 - d. ~~Estimated property damage, including cost of clean-up and recovery, value of lost product, and damage to the property of the operator or others, or both, exceeding \$5,000.~~
 - e. ~~News media inquiry.~~
 4. ~~Written~~ A written incident reports ~~as report~~ required in by this Section ~~will shall~~ be filed with the Office of Pipeline Safety; within the time specified below:
 - a. ~~Natural~~ For gas; an LNG, or other gas - ~~incident,~~ within 20 days after detection; and
 - b. ~~Hazardous liquids – For a hazardous liquid incident,~~ within 15 days after detection.
 5. ~~The Operators~~ An operator shall also either file a copy of all each DOT required written incident reports ~~report~~ electronically with the Pipeline and Hazardous Materials Safety Administration PHMSA at <http://opsweb.phmsa.dot.gov/https://portal.phmsa.dot.gov/pipeline> or submit a written request for an alternative reporting method to the Information Resource Manager, Office of Pipeline Safety, Pipeline and Hazardous Materials Safety Administration, PHP-20, 1200 New Jersey Avenue, S.E., Washington, DC 20590; under 49 CFR 195.58, as incorporated by reference in R14-5-202.
 6. ~~Operators of a natural gas or other~~ After an incident involving shutdown or partial shutdown of a master meter system, an operator of a gas pipeline system will shall request and obtain a clearance from the Office of Pipeline Safety ~~prior to before~~ turning on or reinstating service to a master meter ~~operator~~ system or portion of the master meter system ~~that was shut down.~~
- D. Investigations by the Commission:**
1. ~~The Office of Pipeline Safety will investigate the cause of incidents resulting in death or serious injury.~~
 2. ~~Pursuant to an investigation under this rule, the Commission, or an authorized agent thereof, may:~~

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- a. ~~Inspect all plant and facilities of a pipeline system.~~
- b. ~~Inspect all other property, books, papers, business methods, and affairs of a pipeline system.~~
- c. ~~Make inquiries and interview persons having knowledge of facts surrounding an incident.~~
- d. ~~Attend, as an observer, hearings and formal investigations concerning pipeline system operators.~~
- e. ~~Schedule and conduct a public hearing into an incident.~~
- 3. ~~The Commission may issue subpoenas to compel the production of records and the taking of testimony.~~
- 4. ~~Incidents not reported in accordance with the provisions of this rule will be investigated by the Office of Pipeline Safety.~~
- 5. ~~Incidents referred to in incomplete or inaccurate reports will be investigated by the Office of Pipeline Safety.~~
- 6. ~~Late filed incident reports will be accompanied by a letter of explanation. Incidents referred to in late filed reports may be investigated by the Office of Pipeline Safety.~~

R14-5-204. Annual Reports

- A. ~~All intrastate pipeline operators will~~ An operator of an intrastate pipeline shall file with the Office of Pipeline Safety, not later than March 15, for the preceding calendar year, the following appropriate report(s) an annual report completed using one of the following, as applicable, which are incorporated by reference; on file with the Office of Pipeline Safety; and published by and available from PHMSA as provided in R14-5-203(C)(2):
1. Form PHMSA F 7000-1.1: Annual Report for Calendar Year 20__ Hazardous Liquid Pipeline Systems (June 2011 Edition and no future editions) -- "Annual Report for calendar year 20__, hazardous liquid or carbon dioxide systems" and "Instructions for completing PHMSA F 7000-1.1 (Rev. 01-2011), Annual Report for calendar year 20__ hazardous liquid or carbon dioxide systems," incorporated by reference, and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004 and the Pipeline and Hazardous Materials Safety Administration, at <http://opsweb.phmsa.dot.gov/>, including no future editions or amendments, which shall be completed in accordance with the PHMSA instructions for the form;
 2. PHMSA F7100.1-1 Form PHMSA F 7100.1-1: (January 2011 Edition and no future editions) -- "Annual Report for Calendar Year 20__; Gas Distribution System" and "Instructions for Completing PHMSA Form F7100.1-1, Annual Report for Calendar Year 20__, Gas Distribution System," incorporated by reference, and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004 and the Pipeline and Hazardous Materials Safety Administration, at <http://opsweb.phmsa.dot.gov/>, (January 2011), including no future editions or amendments, which shall be completed in accordance with the PHMSA instructions for the form;
 3. PHMSA F7100.2-1 (June 2011 Edition and no future editions) -- "Annual Report for Calendar Year 20__, Gas Transmission and Gathering Systems" and "Instructions for Completing Form PHMSA F7100.2-1 (Rev. 12-2005), Annual Report for Calendar Year 20__, Gas Transmission and Gathering Systems," incorporated by reference, and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004 and the Pipeline and Hazardous Materials Safety Administration, at <http://opsweb.phmsa.dot.gov/>; Form PHMSA F 7100.2-1: Annual Report for Calendar Year 20__ Natural and Other Gas Transmission and Gathering Pipeline Systems (December 2012), including no future editions or amendments, which shall be completed in accordance with the PHMSA instructions for the form; or
 4. PHMSA F7100.3-1 (November 2010 Edition and no future editions) -- "Annual Report for Calendar Year 20__, Liquefied Natural Gas (LNG) Facilities, and "Instructions for Completing Form F7100.3-1 (10-2010), Annual Report for Calendar Year 20__, Liquefied Natural Gas (LNG) Facilities," incorporated by reference and copies available from the Office of Pipeline Safety, 2200 N. Central Avenue, Suite 300, Phoenix, AZ 85004 and the Pipeline and Hazardous Materials Safety Administration, at <http://opsweb.phmsa.dot.gov/>; Form PHMSA F 7100.3-1: Annual Report for Calendar Year 20__ Liquefied Natural Gas (LNG) Facilities (June 2011), including no future editions or amendments, which shall be completed in accordance with the PHMSA instructions for the form.
- B. ~~The An operator will also file of an intrastate pipeline shall submit a copy of all each required annual reports report by March 15, for the previous calendar year, to the Information Pipeline and Hazardous Materials Safety Administration, at <http://opsweb.phmsa.dot.gov/>. PHMSA at <https://portal.phmsa.dot.gov/pipeline>.~~

R14-5-205. Commission Investigations

- A. The Office of Pipeline Safety shall investigate the cause of each reportable incident, accident, or event resulting in a death or an injury requiring hospitalization.
- B. While investigating an incident, accident, or event, the Commission, or an authorized agent of the Commission may:
1. Inspect all plant and facilities of a pipeline system and all other property of a pipeline system operator;
 2. Inspect the books, papers, business methods, and affairs of a pipeline system operator;
 3. Make inquiries regarding and interview persons having knowledge of facts surrounding an incident or accident;
 4. Attend, as an observer, all hearings and formal investigations concerning a pipeline system operator;
 5. Schedule and conduct a public hearing into the incident or accident; and
 6. Issue subpoenas to compel the production of records and the taking of testimony.

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R14-5-206. Employee Drug and Alcohol Testing Requirements

An operator of an intrastate pipeline facility transporting gas or a hazardous liquid or of an intrastate LNG facility shall ensure that drug and alcohol testing of its workers is performed in compliance with 49 CFR 199, as incorporated by reference in R14-5-202.

R14-5-205, R14-5-207. Master Meter System Operators

- A.** Applicability: This rule Section applies to the construction, reconstruction, repair, emergency procedures, operation, and maintenance of all master meter systems, as a condition of receiving service public service corporations. Noncompliance with this rule by operators of a master meter system shall constitute grounds for termination of service by the public service corporation when informed in writing by the Office of Pipeline Safety. In case of an emergency, the Office of Pipeline Safety may give the public service corporation oral instructions to terminate service, with written confirmation to be furnished within 24 hours.
- B.** Subject to the definitional changes in R14-5-201 and the revisions noted in subsection (C), the Commission adopts, incorporates, and approves as its own 49 CFR 191 and 192, revised as of October 1, 2010 (and no future amendments), incorporated by reference, and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004 and the United States Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954.
- B.** An operator of a master meter system shall comply with this Section as a condition of receiving service from a provider. Noncompliance with this Section by an operator of a master meters system constitutes grounds for termination of service by the provider when informed in writing by the Office of Pipeline Safety. In case of an emergency, the Office of Pipeline Safety may give the provider oral instructions to terminate service, with written confirmation to be furnished within 24 hours.
- C.** The above mentioned incorporated parts of 49 CFR, except Part 191, are revised as follows:
1. Substitute "Commission" where "Office of Pipeline Safety" (OPS) appears.
 2. Substitute Office of "Pipeline Safety, Arizona Corporation Commission, at its office in Phoenix, Arizona" where the address for the Pipeline and Hazardous Materials Safety Administration, U.S. Department of Transportation appears.
- C.** Each operator of a master meter system shall comply with all applicable requirements of 49 CFR 192, as incorporated by reference in R14-5-202.
- D.** Operators of a master meter system will establish an Operation and Maintenance Plan (O & M) including an emergency plan. The plans must be maintained at the master meter system location.
- D.** An operator of a master meter system shall:
1. Establish an Operation and Maintenance Plan, including an emergency plan; and
 2. At all times, maintain a copy of the Operation and Maintenance Plan at the master meter system location.
- E.** Operators of a master meter system will not construct any part of a natural gas or other gas system under a building or permit a building to be placed over a pipeline. Within 180 days of discovery of a building being located over a pipeline, the operator shall remove the building from over the pipeline, relocate the pipeline or discontinue the service to the pipeline located under the building.
- E.** An operator of a master meter system shall:
1. Ensure that no part of a gas pipeline system is constructed under a building and that no building is placed over any portion of a gas pipeline system; and
 2. Upon discovering that a building is located over a portion of a gas pipeline system, complete one of the following within 180 days:
 - a. Remove the building from over the pipeline.
 - b. Relocate the pipeline, or
 - c. Discontinue service to the portion of the pipeline system located under the building.
- F.** Operators An operator of a master meter system will shall not install Acrylonitrile-Butadiene-Styrene (ABS) or aluminum pipe in their systems the master meter system.
- G.** Operators of a master meter system will not use solvent cement to join together plastic pipe manufactured from different materials unless the operator utilizes a joining procedure in accordance with the specifications of 49 CFR 192, Subpart F, October 1, 2010 (and no future amendments), incorporated by reference, and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004 and the United States Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954.
- H-G.** Operators of a master meter system that construct a pipeline or any portion thereof using plastic pipe will install, at a minimum, a 14-gauge coated or corrosion resistant, electrically conductive wire as a means of locating the pipe while it is underground. Tracer wire shall not be wrapped around the plastic pipe, tracer wire may be taped, or attached in some manner to the pipe provided that the adhesive or the attachment is not detrimental to the integrity of the pipe wall. An operator of a master meter system that constructs a pipeline or any portion thereof using plastic pipe shall install, at a minimum, a 14-gauge coated or corrosion resistant, electrically conductive wire as a means of locating the pipe while it is underground. Tracer wire shall not be wrapped around the plastic pipe. Tracer wire may be taped or attached to the pipe in another manner, provided that the adhesive or attachment is not detrimental to the integrity of the pipe wall.

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- H.** ~~Operators~~ An operator of a master meter system that ~~constructs~~ constructs an underground pipeline using plastic pipe, ~~will~~ shall bury the installed pipe with ~~a minimum of at least 6 inches of sandy type soil, free of any rock or debris,~~ at least 6 inches of sandy type soil, free of any debris or materials injurious to the pipe coating, surrounding the pipe for bedding and shading, free of any debris or materials injurious to the pipe coating, unless the pipe is otherwise protected and as approved by the Office of Pipeline Safety. Steel pipe shall be installed with at least 6 inches of sandy type soil, free of any debris or materials injurious to the pipe coating, surrounding the pipe for bedding and shading, free of any debris or materials injurious to the pipe coating, unless the pipe is otherwise protected and as approved by the Office of Pipeline Safety.
- I.** ~~Operators~~ An operator of a master meter system that ~~constructs~~ constructs an underground pipeline using plastic pipe ~~will~~ shall install the pipe with sufficient slack to allow for thermal expansion and contraction. In addition, all plastic pipe and fittings for use in an area with service temperatures above 100° F shall be marked CD, CE, CF, or CG as required by ASTM D2513 (1995e Edition and no future editions) (1995), incorporated by reference in R14-5-202; and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004 and ASTM International, 100 Barr Harbor Dr., P.O. Box C700, W. Conshohocken, PA 19428-2959, for areas where the service temperature is above 100° F.
- J.** ~~Operators~~ An operator of a master meter gas system shall qualify welding procedures and shall ~~perform~~ ensure that welding of steel pipelines is performed in accordance with API Standard 1104, as incorporated by reference in 49 CFR 192.7 and R14-5-202, by welders qualified pursuant to API Standard 1104. Each welder must be qualified in accordance with API Standard 1104, 49 CFR 192, 192.7.
- K.** ~~An operator of a master meter system shall ensure that~~ All ~~all~~ repair work performed on ~~an~~ existing master meter systems will comply with the provisions of system complies with this Article.
- L.** An operator of a master meter system shall:
1. Ensure that each underground steel pipeline is protected against external corrosion with an external protective coating meeting the requirements of 49 CFR 192.461;
 2. When installing a new underground steel pipeline system, before placing the new pipeline system into service, provide a cathodic protection system designed to protect the new pipeline system in its entirety;
 3. When repairing, partially replacing, or relocating an existing underground steel pipeline system, within 45 days after completing the repair, replacement, or relocation, provide a cathodic protection system designed to protect the pipeline system; and
 4. Ensure that each cathodic protection system has a voltage of at least negative 0.85 volts direct current (-0.85Vdc) as measured using a saturated copper-copper sulfate half cell.
- M.** ~~Operators~~ An operator of a master meter system ~~will not construct any part of a natural~~ shall ensure that no portion of an underground gas or other gas system is installed closer less than 8 inches to away from any other underground structure.
- N.** ~~Operators of a master meter system will file a Notice of Construction 30 days prior to commencement of the construction of any pipeline. The Notice will contain the following information: At least 30 days before commencing construction of any pipeline, an operator of a master meter system shall file with the Office of Pipeline Safety a Notice of Construction that includes at least the following information:~~
1. The dates of construction The dates projected for commencing and completing construction,
 2. The size and type of pipe to be used,
 3. The location of construction, and
 4. The Maximum Allowable Operating Pressure (MAOP) for the new pipeline.
- O.** ~~Operators of a master meter system will perform leakage surveys at intervals not exceeding 15 months but at least once each calendar year and will survey and grade all detected leakage by the following guide -- ASME Guide for Gas Transmission and Distribution Pipeline System, Guide Material, Appendix G-11-1983 (1983 Revision and no future revisions); except 4.4(c), incorporated by reference, and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004 and the ASME, Three Park Avenue, New York, NY 10016-5990. ("Should" as referenced in the guide will be interpreted to mean "shall.") Leak detection procedures shall be approved by the Office of Pipeline Safety.~~
- P.** An operator of a master meter system shall:
1. Perform leakage surveys at intervals not exceeding 15 months, but at least once each calendar year, using leak detection procedures approved by the Office of Pipeline Safety;
 2. Except for LPG, perform each leakage survey in accordance with ASME Guide for Gas Transmission and Distribution Pipeline System, Guide Material, Appendix G-11-1983, other than 4.4(c), as incorporated by reference in R14-5-202(Q);
 3. For LPG, perform each leakage survey in accordance with ASME Guide for Gas Transmission and Distribution Pipeline System, Guide Material, Appendix G-11A-1983, as incorporated by reference in R14-5-202(Q); and
 4. Repair each grade 1 leak immediately upon discovery, each grade 2 leak within 30 days of discovery, and each grade 3 leak within one year of discovery.
- Q.** Laboratory testing of master meter systems shall be conducted in accordance with the following:
1. If an operator of a master meter system, other gas or hazardous liquid pipeline removes a portion of a failed pipeline, where the cause of the failure is unknown, as the result of an incident that requires a telephonic or written incident

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report under R14-5-203(B) or (C), the operator shall retain the portion that was removed and shall telephonically notify the Office of Pipeline Safety of the removal within two hours after the removal is completed. A notice made pursuant to this subsection shall include all of the following:

- a. Identity of the failed pipeline;
- b. Description and location of the failure;
- c. Date and time of the removal;
- d. Length or quantity of the removed portion;
- e. Storage location of the removed portion;
- f. Any additional information about the failure or the removal of the portion of the pipeline that failed that is requested by the Office of Pipeline Safety. An unknown failure is any failure where the cause of the failure is not observable external corrosion, third-party damage, natural or other outside forces, construction or material defect, equipment malfunction or incorrect operations; or is any failure where the Office of Pipeline Safety and the operator do not agree as to the cause of the failure.

2. Within 48 hours after telephonic notification pursuant to subsection (1), the Office of Pipeline Safety shall notify the operator that either:

- a. The Office of Pipeline Safety is directing the operator to have the portion of the pipeline that was removed tested by a laboratory to determine the cause or causes of the failure;
- b. The Office of Pipeline Safety is not directing laboratory testing and the operator may discard the portion of the pipeline that was removed. The Office of Pipeline Safety shall confirm its notification in writing.

3. If the Office of Pipeline Safety directs laboratory testing pursuant to subsection (2)(a):

- a. The Office of Pipeline Safety shall:
 - i. Determine the laboratory that will do the testing pursuant to subsection (4) and the period of time within which the testing is to be completed;
 - ii. Approve the number and types of tests to be performed;
 - iii. Notify the operator of its determinations pursuant to subsections (3)(a)(i) and (ii);
- b. The operator shall:
 - i. Notify the Office of Pipeline Safety of the number and types of tests proposed by the operator;
 - ii. Notify the Office of Pipeline Safety of the date and time of any laboratory tests at least 20 days before the tests are done;
 - iii. At the request of the Office of Pipeline Safety, ensure that a representative of the Office of Pipeline Safety is permitted to observe any or all of the tests;
 - iv. Ensure that the original laboratory test results are provided to the Office of Pipeline Safety within 30 days of the completion of the tests;
 - v. Pay for the laboratory testing.

4. In determining a laboratory pursuant to subsection (3)(a)(i), the Office of Pipeline Safety shall:

- a. Submit a written request to at least three different laboratories for bids to conduct the testing;
- b. Consider the qualifications of the respondent laboratories to perform the testing, including:
 - i. Past experience in performing the required test or tests according to ASTM International standards;
 - ii. Any recognition that the laboratory may demonstrate with national or international laboratory accreditation bodies;
- c. Select the laboratory that offers the optimum balance between cost and demonstrated ability to perform the required test or tests;
- d. The Office of Pipeline Safety shall not select a laboratory pursuant to this subsection before either of the following, whichever occurs first:
 - i. The Office of Pipeline Safety has received written bids from at least three different laboratories;
 - ii. Thirty days from the date of the request for bids has passed.

P. In the event of an unknown failure of a gas pipeline resulting in a master meter operator's being required to provide a report under subsection (Q) and in the operator's removing a portion of the failed pipeline, the following shall occur:

1. The operator shall retain the portion of failed pipeline that was removed;
2. The operator shall telephonically notify the Office of Pipeline Safety of the removal within two hours after the removal is completed, providing the following information:
 - a. Identity of the failed pipeline;
 - b. Description and location of the failure;
 - c. Date and time of the removal;
 - d. Length or quantity of the removed portion;
 - e. Storage location of the removed portion; and
 - f. Any additional information about the failure or the removal of the portion of the failed pipeline that is requested by the Office of Pipeline Safety;
3. Within 48 hours after receiving telephonic notification pursuant to subsection (Q)(2), the Office of Pipeline Safety

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shall:

- a. Determine, based on the information provided by the operator and the availability, adequacy, and reliability of any pipeline testing laboratory operated by the operator, whether it is necessary to have the removed portion of pipeline tested at an independent laboratory; and
 - b. Telephonically notify the operator either:
 - i. That the operator must have the removed portion of pipeline tested, in accordance with Office of Pipeline Safety directions, by an independent laboratory selected by the Office of Pipeline Safety as provided in subsection (P)(6), to determine the cause or causes of the failure; or
 - ii. That the operator is not required to have the removed portion of pipeline tested by an independent laboratory and instead must conduct testing in its own pipeline testing laboratory, after which the operator may discard the removed portion of pipeline;
 4. After providing telephonic notice as provided in subsection (P)(3)(b), the Office of Pipeline Safety shall confirm its notification in writing;
 5. If the Office of Pipeline Safety directs testing by an independent laboratory:
 - a. The Office of Pipeline Safety shall:
 - i. Determine, as provided in subsection (P)(6), the independent laboratory that will do the testing and the period of time within which the testing is to be completed;
 - ii. Determine, based on the available information concerning the failure, the number and types of tests to be performed on the removed pipeline; and
 - iii. Notify the operator of its determinations;
 - b. The operator shall:
 - i. Contact the selected independent laboratory to arrange the scheduling of the required tests;
 - ii. Notify the Office of Pipeline Safety, at least 20 days before the date of the tests, of the date and time scheduled for the laboratory tests;
 - iii. At the request of the Office of Pipeline Safety, ensure that a representative of the Office of Pipeline Safety is permitted to observe any or all of the tests;
 - iv. Ensure that the original test results are provided to the Office of Pipeline Safety by the independent laboratory within 30 days after the tests are completed; and
 - v. Pay for the independent laboratory testing; and
 6. In determining an independent laboratory to perform testing required under subsection (P), the Office of Pipeline Safety shall:
 - a. Submit to at least three different independent laboratories written requests for bids to conduct the testing;
 - b. Consider each responding laboratory's qualifications to perform the testing, as demonstrated by:
 - i. Past experience in performing the required test or tests according to ASTM International standards; and
 - ii. Any recognition that a laboratory may have received from a national or international laboratory accreditation body, such as through a certification or accreditation process;
 - c. Wait to select an independent laboratory until:
 - i. The Office of Pipeline Safety has received written bids from at least three different independent laboratories;
or
 - ii. Thirty days have passed since the date of the request for bids, whichever comes sooner; and
 - d. Select the independent laboratory that offers the optimum balance between cost and demonstrated ability to perform the required test or tests.
- ~~Q. Operators of a master meter system will file an annual report with the Commission on Commission Form MM-04, "Annual Report for Calendar Year 20____, Small Operators of Gas Distribution System," incorporated by reference, and copies available from the Office of Pipeline Safety, 2200 N. Central Ave., Ste. 300, Phoenix, AZ 85004. This report will be filed with the Office of Pipeline Safety not later than April 15 for the preceding calendar year.~~
- Q.** An operator of a master meter system shall:
1. Telephonically notify the Office of Pipeline Safety, at (602) 262-5601 during normal working hours or at (602) 252-4449 at all other times, at the earliest practicable moment following discovery of any of the following:
 - a. An event involving a release of gas from a pipeline, along with any of the following:
 - i. A death or personal injury requiring hospitalization;
 - ii. Injury to any individual resulting in the individual's loss of consciousness;
 - iii. Estimated property damage, including the value of all released gas, in excess of \$5,000;
 - iv. Unintentional estimated gas loss of 3 million cubic feet or more;
 - v. An explosion or fire not intentionally set by the operator;
 - vi. A news media inquiry;
 - vii. An evacuation; or
 - viii. An outage;
 - b. An event involving overpressure of a pipeline system where a pipeline operating at less than 12 PSIG exceeds

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MAOP by 50%, where a pipeline operating between 12 PSIG and 60 PSIG exceeds MAOP by 6 PSIG, or where a pipeline operating over 60 PSIG exceeds MAOP plus 10%;

- c. An event involving permanent or temporary discontinuance of service to a master meter system or any portion of a master meter system due to a failure of a leak test; or
- d. An event that is significant, in the judgment of the operator, even though it does not meet any of the criteria listed in subsections (Q)(1)(a) through (c);
- 2. Include the following information in a telephonic report under subsection (Q)(1):
 - a. The names of the operator and the person making the report;
 - b. The job title of the person making the report;
 - c. The telephone numbers of the operator and the person making the report;
 - d. A description of the type and location of the event;
 - e. The time of the event;
 - f. The number of fatalities and personal injuries, if any; and
 - g. All other significant facts that are known by the operator and are relevant to the cause of the event or the extent of the damages; and
- 3. Not later than April 15 of each year, submit to the Office of Pipeline Safety an annual report for the prior calendar year, completed on Commission Form MM-04: "Annual Report for Calendar Year 20___, Small Operators of Gas Distribution System," which is included herein as Exhibit A.
- R. The Commission may waive compliance with any of the ~~forementioned parts~~ requirements of this Section upon a finding that such a waiver is in the interest of public and pipeline safety.
- S. To ensure compliance with all applicable provisions of this ~~rule~~ Article, the Commission or an authorized representative thereof, may enter the premises of an operator of a master meter system to inspect and investigate the property, books, papers, electronic files, business methods, and affairs that pertain to the operation of the master meter system.
- ~~T.~~ All other Commission administrative rules are superseded to the extent they are in conflict with the pipeline safety provisions of this Article.

See top of next page for Exhibit A

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EXHIBIT A

ARIZONA CORPORATION COMMISSION PIPELINE SAFETY
TO BE FILED NO SOONER THAN JANUARY 1, 2013 AND NO LATER THAN APRIL 15, 2013

ANNUAL REPORT FOR CALENDAR YEAR _____ SMALL OPERATORS OF GAS DISTRIBUTION SYSTEM			
<u>FACILITY INFORMATION</u>		<u>OPERATOR/OWNER</u>	
NAME OF FACILITY _____		NAME _____	
ADDRESS OF FACILITY _____		ADDRESS _____	
CITY _____	COUNTY _____	CITY _____	
STATE _____	ZIP CODE _____	STATE _____	ZIP CODE _____
FACILITY E-MAIL ADDRESS _____		OPERATOR E-MAIL ADDRESS _____	
AREA CODE _____	TELEPHONE _____	AREA CODE _____	TELEPHONE _____
FACILITY TYPE: MHP _____ APT/CONDO _____ SCHOOL _____ BUSINESS _____ # OF BLDG _____			
SYSTEM INFORMATION		FEET OF PIPE	
UNDERGROUND STEEL PIPE			
ABOVEGROUND STEEL PIPE			
UNDERGROUND PE PLASTIC PIPE			
UNDERGROUND PVC PLASTIC PIPE			
TOTAL FEET OF PIPE IN SYSTEM			
NOTE: (if you have any comments or concerns, please note in this box)		FOR UNDERGROUND STEEL SYSTEMS DATE OF LAST C/P CHECK IN 2012 _____ / _____ / _____ <small>(If no tests were conducted in 2012, please write "None Conducted")</small>	
		DATE OF LEAK SURVEY CONDUCTED IN 2012 _____ / _____ / _____ <small>(If no tests were conducted in 2012, please write "None Conducted")</small>	
		TOTAL LEAKS IN SYSTEM DURING LAST CAL. YEAR _____ CAUSE: CORROSION _____ THIRD PARTY DAMAGE _____ CONSTRUCTION DEFECT _____ MATERIAL DEFECT _____ OTHER _____ NUMBER OF KNOWN LEAKS AT END OF YEAR _____	
PREPARED BY (TYPE OR PRINT) _____		AREA CODE _____ TELEPHONE _____	
NAME AND TITLE PERSON SIGNING _____		AUTHORIZED SIGNATURE _____	

MAIL TO: 2200 N. Central Ave., Suite #300, Phoenix, Arizona 85004
FAX TO: (602) 262-5620 – OR EMAIL TO: safety@azcc.gov

MM-04

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Notices of Proposed Rulemaking

WILL NOT
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DELIVERED
WITHOUT
PROPER
POSTAGE

**ARIZONA CORPORATION COMMISSION
OFFICE OF PIPELINE SAFETY – GAS SAFETY PROGRAM
2200 NORTH CENTRAL AVENUE, SUITE #300
PHOENIX, ARIZONA 85004**

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EXHIBIT B

**STAFF REPORT
SAFETY DIVISION, PIPELINE SAFETY SECTION
ARIZONA CORPORATION COMMISSION**

PROPOSED RULEMAKING ON PIPELINE SAFETY RULES

DOCKET NO. RG-00000A-13-0049


STAFF RESPONSE TO ORAL COMMENTS

September 3, 2013

DECISION NO. _____

STAFF ACKNOWLEDGEMENT

The Staff Response to Oral Comments for Proposed Rulemaking on Pipeline Safety Rules, Docket No. RG-00000A-13-0049, was the responsibility of the Staff member listed below.

A handwritten signature in black ink, appearing to read 'Robert Miller', is written over a horizontal line.

Robert Miller
Pipeline Safety Manager

Introduction

The Arizona Corporation Commission ("Commission") issued Decision No. 73911 on June 14, 2013. In that Decision, the Commission ordered that a Notice of Proposed Rulemaking regarding modifications to the Commission's Pipeline Safety Rules be filed with the Office of the Secretary of State for publication. The Notice of Proposed Rulemaking was published in the *Arizona Administrative Register* on July 5, 2013.

Pursuant to Decision No. 73911, Staff filed the Economic, Small Business, and Consumer Impact Statement that addressed the economic impacts of the proposed Pipeline Safety rules on July 5, 2013.

Decision No. 73911 requested that interested parties provide initial comments concerning the Notice of Proposed Rulemaking by filing written documents with the Commission's Docket Control by August 9, 2013.

Decision No. 73911 also provided for an opportunity for interested parties to give oral comments at a public comment hearing to be held on August 9, 2013. The Safety Division was to file with the Commission's Docket Control by September 3, 2013, a document including (1) a summary of all written comments filed by interested persons before August 9, 2013 and any oral comments received during the oral proceeding in this matter; (2) the Safety Division's responses to those comments; and (3) a revised Economic, Small Business, and Consumer Impact Statement or a memorandum explaining why no revision to the prior Economic, Small Business, and Consumer Impact Statement is necessary.

Summary of Written Comments Filed August 9, 2013 Regarding the Proposed Pipeline Safety Rules

Only one written comment was filed in the Commission's Docket Control in relation to the Noticed of Proposed Rulemaking. Southwest Gas Company ("SWG") filed comments on August 9, 2013. Although supportive of the rule change as an update to maintain consistency between state and federal requirements, SWG indicated concerns with respect to the proposed R14-5-201 definitions for "evacuation", "independent laboratory", "outage", "sour gas", and "unknown failure". Likewise, SWG proposed a clarification to R14-5-202(S) and to R14-5-203(B)(1)(a) and -(a)(v).

I. Comments on Proposed Amendments to R14-5-201

A. R14-5-201(5)(d) definition of "evacuation"

SWG indicated a concern with the proposed definition for “evacuation” to the effect that an operator may not be aware whether a given building that is evacuated is a daycare facility, retirement facility or assisted living facility due to the fact that these facilities may be located in residential areas and not clearly identified as being one of the specified types of buildings. SWG is recommending further explanation of the term “nonresidential building”. SWG suggests removal of “daycare facility, retirement facility or assisted living facility” from R14-5-201(5)(d) or, alternatively, limiting the applicability of R14-5-201(5)(d) to “when a utility has knowledge of the existence of a nonresidential building....”

Staff recognizes SWG concerns. In response, Staff would recommend the following change be made to R14-5-201(5)(d) for the purpose of clarification:

A nonresidential building upon discovery that it is occupied by individuals who are confined, are of impaired mobility, or would be difficult to evacuate because of their age or physical or mental condition or capabilities, such as a hospital, prison, school, daycare facility, retirement facility, or assisted living facility.

B. R14-5-201(8) definition of “independent laboratory”

SWG expressed reservations concerning the definition of “independent laboratories” because they feel the definition excludes all laboratories that may have a contract with an operator.

Staff does not agree with this assessment and feels that as written, “independent laboratory” applies only to the relationship between a specific laboratory and the operator for whom the investigation is ordered. The definition does not preclude the use of a laboratory that has a contractual agreement with another operator. An operator’s contractual relationship with a laboratory would not preclude the use of that laboratory for analysis of material failures of a different operator.

C. R14-5-201(19)(b) definition of “Outage”

SWG provided similar concerns regarding the proposed definition of “Outage” to those stated in regard to R14-5-201(5) definition of outage.

In response, Staff would recommend the same clarification as for R14-5-201(5)(d). The following change be made to R14-5-201(19)(b) for the purpose of clarification:

A nonresidential building upon discovery that it is occupied by individuals who are confined, are of impaired mobility, or would be difficult to evacuate because of their age or physical or mental condition or capabilities, such as a hospital, prison, school, daycare facility, retirement facility, or assisted living facility.

D. R14-5-201(27) definition of "sour gas"

SWG expressed concern that, as written, the current definition of sour gas lacks a minimum threshold for hydrogen sulfide present in order to constitute "sour gas" for purposes of the rule. SWG requests that the definition be clarified to include the minimum threshold of 0.25 grain of hydrogen sulfide per 100 cubic feet (5.8 milligrams/m³) at standard conditions (4 parts per million) to the definition. The criterion SWG proposes is drawn from 49 C.F.R. §192.475(c)

Staff finds the proposed clarification to be reasonable and would suggest clarifying R14-5-201(27) to state:

"Sour gas" means natural gas that does not contains the corrosive sulfur-bearing compound hydrogen sulfide (H₂S) in concentrations that exceed a minimum threshold of 0.25 grain of hydrogen sulfide per 100 cubic feet (5.8 milligrams/m³) under standard operating conditions (4 parts per million).

R14-5-201(32) definition of "Unknown failure"

SWG proposes replacing of the term "observable external corrosion" with the term "observable corrosion". SWG states that the removal of the term "external" would eliminate the unnecessary exclusion of observable internal corrosion or stress corrosion cracking from the definition of "unknown failure."

Staff is in agreement with SWG and supports this change. Staff would recommend clarifying R14-5-201(32)(a) to state:

The cause cannot be attributed to any observable ~~external~~ corrosion, third-party damage, natural or other outside force, construction or material defect, equipment malfunction, or incorrect operations; or

II. Comments on Proposed Amendments to R14-5-202

A. R14-5-202(R)

SWG has concerns relating to the frequency of leak surveys in class 1 and 2 locations and the requirement to repair all identified leaks including class 2 and 3 within one year of discovery. SWG also states that resources may have to be diverted from other activities that could reduce risks to their system.

Staff acknowledges that there are current regulations and standards such as the referenced American Society of Mechanical Engineers (ASME) Managing System Integrity of Gas Pipelines, B31.8s-2004 that address similar issues of leak detection, mitigation of leaks and

other risks to the pipeline. Staff further acknowledges the efforts of SWG in taking all available steps necessary to prevent the release of gas that could result in an incident.

However, Staff does not agree that Subsection R14-5-202(R) should be removed or modified from how Staff currently proposes to modify it. Requiring that transmission pipeline leakage surveys be conducted at least twice a year, not to exceed 7-1/2 months in all class locations and repairing underground leaks classified as grade two or three either upon discovery or within one year after discovery is reasonable and appropriate. R14-5-202(R) as proposed is intended to enhance the discovery and repair of transmission line leaks. Staff believes the increased operational pressures and increased severity of catastrophic failures associated with transmission pipelines compared to lower pressure leaks associated with distribution systems prompts a reasonable conclusion that time spent eliminating leaks on a transmission pipeline is well spent and would not hamper SWG's ability to manage other risks associated with the operation of their pipeline system.

B. R14-5-202(S)

SWG supports this subsection but is requesting a modification to include a 5 day window to facilitate completion of any nondestructive testing.

Staff does not believe that a 5 day window or any time restriction on conducting NDT testing on each weld performed on newly installed, replaced or repaired intrastate transmission pipeline or an appurtenance as proposed by SWG is necessary. As drafted, the current subsection does not include a deadline for testing to be completed. Staff's belief is that should an operator fail to nondestructively test any required pipe or appurtenance Staff would then require the operator to remove the pipe or appurtenance from service. This allows the operator complete flexibility in scheduling nondestructive testing. For example, an operator working on a larger project could choose to do all the required testing at the end of their project even if it exceeds 5 days from when the new construction or repair was performed.

III. Comments on Proposed Amendments to R14-5-203

A. R14-5-203(B)(1)(a)

SWG has a concern that, as written, the current subsection will result in an operator having to report a release of gas discovered from any pipeline, regardless of whether the operator owns and operates the pipeline.

Staff believes that the present language is sufficiently clear in the placement of the obligation solely on the operator for the operator's own pipeline.

B. R14-5-203(B)(1)(a)(v)

SWG has expressed concern that the condition of “unintentional release of gas from a transmission pipeline” is overly broad and would mandate the reporting of previously non-hazardous Grade 2 and Grade 3 leaks. SWG goes on to state that in addition to being unnecessary, requiring operators to immediately notify the Office of Pipeline Safety creates practical issues for the operator. The example given by SWG involves two pipelines in close proximity to each other, one transmission and one distribution. SWG states that depending on the severity of the leak it may be weeks before an operator excavates to determine which line is actually leaking. SWG asserts that this scenario may result in operators reporting leaks that are not on a transmission line or may result in reporting leaks sometime after the initial discovery.

Staff disagrees that the requirement to report any unintentional release of gas from a transmission line is overly broad. It is the intention of this section to require that the operator make such a report. Given the high pressures and increased threat of a catastrophic failure, any leak on a transmission line could easily and quickly escalate the severity of the circumstance. In the example given by SWG, when a transmission line and a distribution line are in close proximity to each other, Staff would expect that the operator not wait to excavate the area regardless of the readings to determine which of the two lines were leaking.

Summary of Oral Comments Regarding the Pipeline Safety Rules and Staff Response

SWG and Copper Market Gas, Incorporated were present during the oral comment proceeding. However, neither party provided oral comments in regard to the proposed rule changes. SWG deferred to the written comments that they filed.

In light of the lack of oral comment, Staff has no additional response to provide.

Discussion of Economic, Small Business, and Consumer Impact Statement

Staff has no modifications based on the comments received. However, Staff noticed that an incorrect earlier draft of the Economic, Small Business, and Consumer Impact Statement was filed on July 5, 2013. The filed draft did not note that changes were proposed to R14-5-201 in addition to the other sections. Likewise, the section discussing need for the rule amendments neglected to discuss the significance of updating the rules with respect to maintaining the Commission’s participation in the Federal Department of Transportation, Pipeline and Hazardous Materials Safety Administration’s pipeline safety program. Therefore, Staff has attached to this Staff Report, a copy of an updated Economic, Small Business, and Consumer Impact Statement.

EXHIBIT C**ECONOMIC IMPACT STATEMENT**

1. **BRIEF DESCRIPTION:** This rulemaking will modify Arizona Administrative Code ("A.A.C.") Title 14, Chapter 5, Article 2, the Arizona Corporation Commission's rules for Pipeline Safety, by amending A.A.C. R14-5-201 through R14-5-204, renumbering the existing R14-5-205 and amending it at its new location at R14-5-207, separating an existing requirement into a new R14-5-205, and adopting a new rule at R14-5-206. The primary purpose of this rulemaking is to bring the Commission's Pipeline Safety rules into compliance with federal requirements by updating the rules' incorporations by reference of various parts of Title 49 of the Code of Federal Regulations ("49 CFR"). The other modifications to the rules are designed to make the rules more clear, concise, and understandable and to enhance several safety requirements.
2. **NEED FOR THE RULEMAKING:** Under Title 49, § 60105 of the U.S. Code ("49 U.S.C. § 60105"), the Commission holds certification from the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration ("PHMSA") authorizing the Commission to prescribe and enforce safety standards and practices for intrastate pipeline facilities and intrastate pipeline transportation. To maintain certification, the Commission's Pipeline Safety Section must annually submit to PHMSA a certification stating, *inter alia*, that the Commission (1) has regulatory jurisdiction over the standards and practices to which the certification applies; (2) has adopted, by the date of certification, each applicable standard prescribed under 49 U.S.C. Chapter 601 or, if the standard was prescribed no later than 120 days before certification, is taking steps to adopt the standard; and (3) is enforcing each adopted standard through means including inspections by qualified Commission employees. (See 49 U.S.C. § 60105(a), (b).) The certification filing must also identify the persons subject to the Commission's safety jurisdiction, describe specific types of reported accidents or incidents

during the past 12 months, provide an investigation summary for each accident or incident, and describe the Commission's regulatory and enforcement practices. (49 U.S.C. § 60105(c).) The PHMSA may reject certification for a state authority if it determines that the state authority is not satisfactorily enforcing compliance with the applicable federal safety standards of 49 U.S.C. Chapter 601. (49 U.S.C. § 60105(f).) A state authority that carries out a safety program pursuant to certification under 49 U.S.C. § 60105 is eligible to obtain grant funding from PHMSA of up to 80 percent of the state authority's costs for the personnel, equipment, and activities reasonably required to carry out the program for the next calendar year. (49 U.S.C. § 60107(a).) One of the performance factors considered by PHMSA when determining the allocation of grant funds to a state authority is whether the state has adopted the applicable federal pipeline safety standards. (49 CFR § 198.13(c)(7).) PHMSA can withhold payment if it determines that a state authority is not satisfactorily carrying out its safety program. (49 U.S.C. § 60107(b).)

The Commission's Pipeline Safety rules currently incorporate by reference 49 CFR 40, 191, 192 except I(2) and (3) of Appendix D to Part 192, 193, 195 except 195.1(b)(2) and (3), and 199, revised as of October 1, 2010. This rulemaking will update the incorporations by reference to adopt 49 CFR 40; 191; 192 except (I)(A)(2) and (3) of Appendix D to Part 192; 193; 195 except 195.1(b)(2), (3), and (4); and 199, revised as of October 1, 2012. The rulemaking will also update the forms to be used for reporting, consistent with federal requirements.

Additionally, the rulemaking will make organizational and language changes and add a number of definitions to make the rules more clear, concise, and understandable. For transmission pipelines transporting gas, the rulemaking will also enhance the safety standards for leakage surveys, repairs of underground leaks, and testing of welds on pipelines or appurtenances operating at or above 20 percent of specified minimum yield strength. The rulemaking will broaden some of the reporting criteria for incidents, such as by requiring reporting when a failure in a pipeline transporting hazardous liquid results in injury with loss of consciousness, an

inability to leave the scene unassisted, or a need for medical treatment, as opposed to only requiring reporting when such an incident results in death or an injury requiring hospitalization. The rulemaking adds a new section specifically requiring drug and alcohol testing of pipeline facility and liquefied natural gas ("LNG") facility workers to be performed in compliance with 49 CFR 199, which is not a new requirement, but a clarification because 49 CFR 199 has been incorporated by reference for some time. The rulemaking will also revise the master meter system rules to clarify its requirements; set forth requirements for cathodic protection of new, repaired, replaced, or relocated lines; clarify leakage survey requirements and impose deadlines for leak repairs based on grade; and clarify reporting requirements.

3. AFFECTED CLASSES OF PERSONS:

- A. Intrastate operators of natural gas and other gas pipelines.
- B. Intrastate operators of hazardous liquid pipelines.
- C. Operators of master meter gas distribution systems.
- D. The general public (residents of and visitors to Arizona).

4. PROBABLE IMPACTS ON AFFECTED CLASSES OF PERSONS:

- A. Operators of natural gas and other gas pipeline systems who are already complying with current federal pipeline safety regulations will experience only minimal impacts from the enhanced safety standards described above. These operators will also experience significant but unquantifiable benefits from the increased clarity, conciseness, and understandability of the requirements in the rules. In addition, if the enhanced safety standards described above result in prevention of future incidents, such prevention may result in significant and quantifiable benefits.

- B. Operators of pipeline systems transporting hazardous liquids who are already complying with current federal pipeline safety regulations will experience only minimal impacts from the broadened reporting requirements described above. These operators will also experience significant but unquantifiable benefits from the increased clarity, conciseness, and understandability of the requirements in the rules.
- C. Master meter system operators who are already complying with current federal pipeline safety regulations will experience only minimal impacts from the requirements for cathodic protection of new, repaired, replaced, or relocated lines and from the leak repair deadlines based on grade. These operators will also experience significant but unquantifiable benefits from the increased clarity, conciseness, and understandability of the requirements in the applicable rule and, if the enhanced/clarified safety standards for cathodic protection and leak repair timing result in prevention of future incidents, may also receive significant and quantifiable benefits therefrom.
- D. The general public should receive significant but unquantifiable benefits from the enhanced clarity and enhanced safety and reporting requirements of the rules. If the enhanced clarity and enhanced safety and reporting requirements result in prevention of future incidents, the general public may also receive significant and quantifiable benefits therefrom.

- 5. **PROBABLE COSTS AND BENEFITS TO THE AGENCY:** The rulemaking will have a minimal cost effect on the Commission and is expected to have no cost impact on other state agencies. The Commission will benefit substantially from maintaining its federal grant funding and its agent status. The Commission also should benefit from the enhanced safety and reporting standards to be adopted in the rules, particularly if those enhanced standards result in prevention of future incidents. The Commission will not need to hire any new full-time employees to implement and enforce the revised rules.

6. **PROBABLE COSTS AND BENEFITS TO POLITICAL SUBDIVISIONS:** For political subdivisions that are intrastate pipelines operators or master meter operators, the impacts will be as described above for those classes of persons.
7. **PROBABLE COSTS AND BENEFITS TO PRIVATE PERSONS AND CONSUMERS:** None of the impacted operators indicated a need for additional resources due to the proposed revisions to the rules. Thus, the proposed revisions should have no cost effect upon private persons or consumers. Customers and the general public are expected to benefit as described above for the general public.
8. **PROBABLE IMPACT ON PRIVATE EMPLOYMENT:** The Commission believes that the rulemaking will have no impact on private employment.
9. **PROBABLE IMPACT ON SMALL BUSINESSES:** The small businesses subject to the rules would be master meter system operators, and the costs and benefits to those operators are as described above for that class of persons.
10. **PROBABLE EFFECT ON STATE REVENUES:** If the rulemaking is not completed, the Commission believes that there would be a substantial cost to the state as a result of the Commission's loss of federal grant funding to cover most of the costs of its Pipeline Safety Section.
11. **LESS COSTLY OR INTRUSIVE METHODS:** The Commission believes that the revisions to the rules are the least costly and least intrusive method for ensuring the safety of pipeline systems, including master meter systems, in Arizona. The Commission believes that the benefits of the rulemaking, and the potential benefits of the rulemaking if the enhanced safety and reporting standards in the rules result in prevention of adverse incidents, greatly outweigh any costs associated with the rulemaking for any affected persons.

12. **ALTERNATIVE METHODS CONSIDERED:** The Commission does not believe that there is an alternative method available to ensure the safety of pipeline systems, including master meter systems, in Arizona.

EXHIBIT D**Summary of the Comments Made on the Rulemaking and the Agency Response to Them, Prepared Pursuant to A.R.S. § 41-1001(15)(d)(iii)**

The written and oral comments received by the Commission concerning the published Notice of Proposed Rulemaking are included in the following table, along with the Commission response to each.

Written Comments on Notice of Proposed Rulemaking	
Public Comment	Commission Response
Rulemaking generally: Southwest Gas Corporation ("SWG") stated that it supports many of the proposed amendments as they update Arizona's pipeline safety regulations and help establish consistency between federal and state requirements.	The Commission acknowledges the supportive comment. No change is needed in response to this comment.
R14-5-201(5)(d): SWG expressed concern about the definition of "evacuation" because a utility could be unaware that a building is used as a daycare facility, retirement facility, or assisted living facility. SWG stated that the definition is overly broad and could result in a utility's violating the rules because there was no reasonable manner for the utility to identify a building as a daycare facility, retirement facility, or assisted living facility. SWG suggested that "daycare facility, retirement facility, or assisted living facility" be removed from the definition or, alternatively, that R14-5-201(5)(d) be limited to "when a utility has knowledge of the existence of a nonresidential building"	Staff recognized SWG's concerns and proposed a revision to the definition. The Commission will address SWG's concerns by inserting the words " <u>known or discovered to be</u> " after " <u>A nonresidential building.</u> "
R14-5-201(8): SWG expressed concern about the definition of "independent laboratory" because SWG interprets the definition as excluding all laboratories that may have a contract with an operator. SWG stated that this is an overly restrictive standard that may result in the disqualification of most, if not all, viable laboratories and that the existence of a contract with an operator may not create a conflict of interest, although it could be taken into account in determining what laboratory should perform testing.	Staff disagreed with SWG's interpretation, stating that only a relationship between a laboratory and the operator for whom investigation is ordered would be precluded. Staff did not recommend any change. The Commission will clarify the definition by revising it to read as follows: " <u>'Independent laboratory' means a laboratory that is not owned or operated by the operator and that has no affiliation with the operator through ownership, familial relationship, or contractual or</u>

	<u>other relationship that results in the laboratory being controlled by or under common control with the operator."</u>
R14-5-201(19): SWG expressed the same concern about the definition of "outage" as it had expressed regarding the definition of "evacuation" and suggested the same alternate revisions to address its concern.	Staff recognized SWG's concerns and proposed a revision to the definition. The Commission will address SWG's concerns by inserting the words " <u>known or discovered to be</u> " after " <u>To a nonresidential building.</u> "
R14-5-201(27): SWG expressed concern about the proposed definition of "sour gas" because it did not provide a minimum threshold of hydrogen sulfide content for gas to be considered "sour gas" and could result in gas with only a trace amount of hydrogen sulfide being categorized as "sour gas." SWG suggested that the definition be revised to include a minimum threshold of "more than 0.25 grain of hydrogen sulfide per 100 cubic feet (5.8 milligrams/m ³) at standard conditions (4 parts per million)," which SWG stated is the standard set by PHMSA in 49 CFR § 475(c).	Staff found the suggested clarification to be reasonable and proposed a revision to the definition. The Commission will address SWG's concerns by revising the definition, consistent with the PHMSA standard set in 49 CFR § 192.475(c), to read as follows: " <u>"Sour gas" means natural gas that contains the corrosive sulfur-bearing compound hydrogen sulfide (H₂S) in a concentration that exceeds a minimum threshold of 0.25 grain of hydrogen sulfide per 100 cubic feet (5.8 milligrams/m³) under standard operating conditions (4 parts per million).</u> "
R14-5-201(32)(a): SWG proposed that the term "observable external corrosion" be replaced with "observable corrosion" to eliminate the unnecessary exclusion of observable internal corrosion or stress corrosion cracking from the definition of "unknown failure."	Staff agreed with SWG's suggested change and recommended that it be made. The Commission will revise the definition of "Unknown failure" by deleting the word " <u>external.</u> "
R14-5-202(R): SWG expressed concern regarding the proposed requirement for transmission pipeline leakage surveys to be conducted at least twice a year, not more than 7 1/2 months apart, and for repairing underground leaks classified as grade 2 or 3 either upon discovery or within one year after discovery. SWG stated that although both proposed requirements exceed current requirements, SWG believes that they are not based on supporting risk information of which SWG is aware and may divert resources from other activities that could reduce risk. SWG cited American Society of Mechanical Engineers ("ASME"), Managing System Integrity of Gas Pipelines, B31.8s-2004, Section 1.2 as	While Staff acknowledged the existence of regulations and standards, such as the referenced ASME standard, addressing similar issues of leak detection and mitigation and other risks to pipeline, Staff disagreed that the proposed subsection should be removed or modified as proposed by SWG. Staff stated that because of the increased operational pressures and increased severity of catastrophic failures associated with transmission pipelines (versus distribution systems), time spent eliminating leaks on transmission pipeline is time well spent.

<p>supporting integrity management programs that allow operators to allocate resources to prevention, detection, and mitigation activities that will result in improved safety and a reduction in incidents. SWG stated that it is already required to identify and implement appropriate prevention, detection, and mitigation activities per 49 CFR § 192.935 and recommended that this subsection be removed or, alternatively, that the rule require leak surveys twice a year, no more than 7 1/2 months apart, on Class 3, 4, and HCAs within Class 1 and 2, and that Grade 2 or 3 leaks confirmed on transmission pipelines “be repaired within 12 months, not to exceed 15 months of discovery.”</p>	<p>Staff further stated that the rule would not hamper SWG’s ability to manage other risks associated with its pipeline system operation.</p> <p>Balancing the potential benefits against the expected burdens, the Commission finds that the enhancements advocated by Staff are reasonable and appropriate and should be adopted. Staff asserted that the increased operational pressures, and the increased severity of catastrophic failures, associated with transmission pipeline leaks versus lower pressure distribution system leaks, merit the enhancements of the rule. SWG has not asserted that the rule will result in increased operational costs or a need for additional resources. Because the preventative requirements should enhance safety and could prevent significant hazards, damage, and costs, the Commission will not make a change in response to this comment. The Commission notes, however, that the rule could be revisited under the proposed R14-5-202(V) if it unexpectedly becomes an undue burden not in the interest of public and pipeline safety.</p>
<p>R14-5-202(S): SWG stated that it supports the requirement for nondestructive testing for each weld performed on newly installed, replaced, or repaired intrastate transmission pipeline or an appurtenance, but proposed that operators be provided at least a five-day window to complete the testing, as weekends and holidays may cause delay.</p>	<p>Staff stated that the subsection does not currently include a deadline for the testing to be completed, but that Staff would require an operator to remove pipe or an appurtenance from service if the operator failed to complete the nondestructive testing. Staff stated that this provides an operator flexibility because all of the testing on a large project could be completed at the end of the project, even though the welding may have been completed more than five days earlier.</p> <p>The Commission agrees with Staff that flexibility in the timing of the testing is appropriate and that the important thing is that the testing be completed before transmission pipeline or an appurtenance with a new weld is placed into service.</p>

	Thus, the Commission will insert the following sentence after the first sentence of R14-5-202(S): <u>“The nondestructive testing shall be completed before the newly welded area of the pipeline or appurtenance is used for service.”</u>
R14-5-203(B)(1)(a): SWG stated that this subsection should be revised to read “Release of gas or LNG from an operator’s pipeline or LNG facility,” because failure to narrow the subsection to an operator’s own facilities would result in an operator’s being required to report release of gas from any pipeline, regardless of ownership and operational responsibility.	Staff stated that the language is sufficiently clear in the placement of the obligation solely on the operator for the operator’s own pipeline. While the Commission does not believe it likely that the proposed language would be interpreted as broadly as suggested by SWG, the Commission will clarify the rule by adding the following language in R14-5-203(B)(1), immediately before the colon: <u>“related to the operator’s intrastate pipeline system.”</u>
R14-5-203(B)(1)(a)(v): SWG expressed concern that the requirement to provide immediate notification of all unintentional release of gas from a transmission pipeline is overly broad because it would require operators to report all leaks, including Grade 2 and Grade 3 leaks, which SWG stated are considered non-hazardous. SWG also expressed concern that the responsibility to provide notice immediately would create practical issues for operators when transmission and distribution pipelines are in close proximity, because an operator may not be able to tell which pipeline has the leak until after excavation, which could be weeks later if the leak is not severe. SWG stated that the subsection may result in reporting of leaks that are not from transmission pipeline or reporting of leaks sometime after discovery but immediately after the leaks are determined to be from transmission line. SWG stated that it would be amenable to a requirement to make a telephonic report upon discovery of any Grade 1 leak from transmission pipe.	Staff disagreed with SWG’s statement that the requirement to report any unintentional release of gas from a transmission pipeline is overly broad. Staff stated that the subsection is intended to require operators to make such reports, because the high pressures on transmission lines, and the increased threat of catastrophic failure from leaks on transmission lines, can easily and quickly escalate the severity of the circumstance. Staff stated that it would expect an operator, when faced with a leak in an area where transmission and distribution lines are in close proximity, not to wait to excavate to determine which of the two lines was leaking, regardless of the readings. The Commission agrees with Staff and will make no change in response to this comment.
Oral Comments on Notice of Proposed Rulemaking	
Public Comment	Commission Response
Copper Market Gas, Incorporated appeared at the oral proceeding, but declined to make any	The Commission acknowledges the comment.

comments other than to state that it was monitoring the rulemaking and had no objection to the changes proposed.	No change is needed in response to this comment.
SWG appeared at the oral proceeding and indicated that it stood by its written comments.	<p>The Commission acknowledges the comment.</p> <p>No change is needed in response to this comment.</p>